

State Aid to Baltimore City

Fiscal 2027

State Aid Overview

- Baltimore City will receive \$1.9 billion in State aid in fiscal 2027. Of this amount, \$1.8 billion is direct aid, and \$91.0 million is for retirement payments.
- Baltimore City will receive a 4.8% increase in State funding in fiscal 2027, with total State aid increasing by \$86.8 million over the prior year. Direct aid increases by \$80.6 million, while retirement payments increase by \$6.2 million.
- The vast majority of this funding is targeted to the public school system, which receives over 76% of the total State aid provided to Baltimore City, whereas the city government receives 22.4%.

City Government Aid

- Baltimore City will receive \$423.9 million in State funding for the city government, which represents a \$8.6 million, or 2.1%, increase from the prior year.
- State funding includes \$267.0 million for highway user revenues (HURs), \$79.1 million in disparity grants, \$40.4 million for police aid, \$25.9 million in gaming impact aid, and \$1.4 million for fire and rescue aid.
- Baltimore City will receive \$1.7 million from the State as an annual payment in lieu of taxes, compensating the city for Maryland Port Administration facilities located within its boundaries that are exempt from local property tax.
- The fiscal 2027 budget also includes a one-time \$8.0 million grant provided to Baltimore City to replace the city's dispatch system, which supports call processing for fire, police, and public works agencies.

Public Safety Grants

- Baltimore City will receive \$22.9 million in funding through six targeted crime initiatives in fiscal 2027. This includes a \$9.2 million direct police grant to the Baltimore City Police Department, \$5.5 million for the Safe Streets program to reduce gun violence, \$3.3 million in warrant apprehension grants, \$2.5 million for the Group Violence Reduction Strategy, \$1.8 million for the State's Attorney's Office, and \$0.7 million for coordination efforts to combat violent crime. Compared to fiscal 2026, Baltimore City's targeted crime grant funding increases by \$4.4 million in fiscal 2027, driven by the addition of a new \$2.5 million Group Violence Reduction Strategy grant and a \$1.9 million enhancement to the Safe Streets program.
- Baltimore City also receives \$17.4 million in enhanced funding based on the number of violent crime offenses occurring within the city. The fiscal 2027 budget includes an enhancement of \$1.25 million provided to the city.
- The fiscal 2027 allocation for the police aid enhancement was not updated to reflect the most recent uniform crime data for calendar 2024. Each jurisdiction receives the same allocation as in the prior year, except for Baltimore City, which, as indicated above, receives an additional \$1.25 million in funding. The use of prior year uniform crime data for calendar 2023 results in a larger funding allocation of \$443,400 for Baltimore City, which experienced a greater overall reduction in violent crime offenses in 2024.
- Baltimore City will receive \$1.4 million in fire and rescue aid in fiscal 2027. Each county's funding is based on their share of property tax accounts relative to the statewide total. Each county is guaranteed a minimum 2% share of total funds (\$330,000).

Transportation Aid

- Baltimore City will receive \$267.0 million in local highway user revenues (HURs) in fiscal 2027, which is almost level funded from the prior year.
- Local transportation funding did not benefit from the legislative actions taken at the 2025 session, since the additional revenues from the higher transportation taxes and fees were targeted to State projects and were not shared with local governments through the HURs program.
- State funding for local HURs is based on the amount of revenue allocated to the Gasoline and Motor Vehicle Revenue Account (GMVRA). In fiscal 2027, State funding to local governments is based on 20% of total GMVRA revenues. Of this amount:

- 61% goes to Baltimore City (12.2% of GMVRA);
 - 24% goes to county governments (4.8% of GMVRA); and
 - 15% goes to municipalities (3.0% of GMVRA).
- Under current law, these distributions will decrease beginning in fiscal 2028, when the allocations revert to the fiscal 2024 distribution, as shown in the following table. Based on the current transportation revenue forecast, this provision will result in a \$59.0 million reduction in local HURs for Baltimore City in fiscal 2028, compared to current funding levels.

Local Share of Highway User Revenues

	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>
MDOT	86.5%	84.4%	82.0%	80.0%	80.0%
Baltimore City	8.3%	9.5%	11.0%	12.2%	12.2%
Counties	3.2%	3.7%	4.3%	4.8%	4.8%
Municipalities	2.0%	2.4%	2.7%	3.0%	3.0%

MDOT: Maryland Department of Transportation

Source: Department of Legislative Services

Local Health Grants

- Baltimore City will receive \$13.1 million in local health grants in fiscal 2027, a \$2.7 million, or 25.6%, increase from the prior year.
- Local health grants for most counties include two components: mandated aid under the core funding formula that is adjusted annually for population growth and inflation; and discretionary aid to cover salary adjustments for State employees within the local health departments. In Baltimore City, the local health department is staffed by city employees and therefore the city only receives funding under the core funding formula.
- With the overall funding amount for local health departments remaining unchanged from the prior year and with higher costs to fund the mandated core funding formula, salary funding for most counties will be reduced in fiscal 2027. In fact, only five local health departments will receive an increase in funding, with most local health departments, particularly in rural areas, realizing annual decreases of over 10%.

Disparity Grants

- Baltimore City will receive \$79.1 million in disparity grant funding in fiscal 2027, which is equal to the amount of funding received in the prior year.
- The Budget Reconciliation and Financing Act (BRFA) level funds the disparity grant program at the fiscal 2026 formula amount of \$176.6 million through fiscal 2029, resulting in a \$17.1 million reduction (8.8% decrease) in fiscal 2027 compared to the enhanced fiscal 2026 level and a \$27.0 million reduction compared to the formula-required amount of \$203.6 million.
- Prince George’s County faces the largest reduction at \$17.5 million, followed by Allegany County at \$6.3 million. However, this proposal does not negatively affect Baltimore City.

Local Library and Community College Aid

- Baltimore City will receive \$10.0 million in local library aid.
- The BRFA includes a provision that limits the annual increase in State funding under the Cade funding formula to 3%. Notably, Baltimore City Community College, as a State-operated institution, receives direct funding from the State.

Gaming Impact Aid

- Baltimore City will receive \$25.9 million in gaming impact aid in fiscal 2027, an increase of over \$250,000 above the prior year.

Education Aid

- The vast majority of State funding is targeted to the public school system. Direct State aid to the Baltimore City Public School System accounts for 71.6% of total State aid provided to the city; and funding for teacher retirement accounts for 4.7% of total State aid.
- In fiscal 2027, the Baltimore City Public School System will receive \$1.4 billion in direct aid, which represents a \$69.2 million, or 5.4%, increase from the prior year. In addition, the State will provide \$88.1 million in funding for teacher retirement payments.
- On a per pupil basis, Baltimore City will receive \$20,167 in State funding: \$18,935 per pupil in direct aid; and \$1,232 per pupil for teacher retirement payments.

- Baltimore City will receive a 5.4% increase in per pupil direct aid in fiscal 2027. This is above the statewide average increase of 4.6%. The higher per pupil increase in Baltimore City is partly due to a below average increase in local wealth.

Administration Proposal

- The proposed fiscal 2027 State budget includes \$228.4 million in funding enhancements for three formula aid programs due to the implementation of a revised student enrollment count for students approved for free and reduced-price meals (FRPM). This will affect State funding under the compensatory aid, concentration of poverty, and education effort adjustment. This change will provide an additional \$113.9 million in State funding to Baltimore City over statutory funding amounts.
- State funding for compensatory aid and concentration of poverty is partly based on the number of students approved for FRPM. Until fiscal 2027, the FRPM count included a hold harmless provision for local school systems participating in the federal community eligibility provision (CEP). The hold harmless provision prevents the FRPM count for CEP schools/school systems (as measured by the percentage of FRPM students to total enrollment) from falling below the percentage of FRPM students to total enrollment in the year prior to CEP participation. The Governor proposes to extend this hold harmless provision for fiscal 2027.
- This proposal will increase the FRPM count for fiscal 2027 funding purposes by 33,564 students. Instead of a 9.4% statewide decrease in the FRPM count from the fiscal 2026 funding level, the decrease is limited to 1.7%. In Baltimore City, this proposal will limit the annual decrease in the FRPM count to only 2.0% instead of 23.2%, resulting in a net increase of 13,386 students. Three local school systems account for most of the additional FRPM students: Baltimore City (40%); Montgomery County (16%); and Prince George’s County (23%).
- The Administration proposes to shift one-half of the annual increase in State retirement payments for teachers, librarians, and community college faculty to county governments (including Baltimore City). This State-local cost shift will total \$39.3 million statewide in fiscal 2027, with the Baltimore City share totaling \$3.2 million.

Blueprint and Targeted Funding

- Baltimore City will receive \$300.5 million in State funding under the Blueprint Initiatives in fiscal 2027. This includes \$195.0 million in concentration of poverty grants, \$49.8 million for full-day prekindergarten, \$42.7 million in education effort adjustment funding, and \$9.3 million in transition grants.

- A considerable amount of State education funding is based on targeted student populations, with Baltimore City receiving \$493.6 million in targeted grants under the compensatory aid, English Language Learners (ELL), and special education programs. Of these three programs, Baltimore City receives \$330.1 million in compensatory aid funding, \$94.0 million in special education funding, and \$69.5 million in ELL grants.

Local Wealth

- Baltimore City has the fifth lowest per pupil wealth measure in the State, at 65% of the statewide average. The local wealth measure is a combination of property wealth, as measured by the county assessable base, and income wealth as measured by net taxable income. In terms of local property wealth, Baltimore City has the fourth lowest per pupil wealth at 63% of the statewide average. In terms of local income wealth, Baltimore City also has the seventh lowest per pupil wealth, at 67% of the statewide average.

Student Enrollment

- Baltimore City’s full-time equivalent student (FTES) enrollment count remains virtually level from the prior year, compared to a statewide average decline of 0.9%. Only three local school systems experience an increase in their FTES enrollment this year. Currently, the Baltimore City School System has around 71,500 public school students, which accounts for 8.5% of students statewide.
- The number of students approved for FRPM decreases by 2.0% in Baltimore City, compared to the statewide average decrease of 1.7%. Baltimore City currently has the highest percentage of students approved for FRPM at 86.8% of total student enrollment. Statewide, over half of the students are approved for FRPM, with the share as low as 27.8% in Calvert County.
- Baltimore City has an above average percentage of students identified as English Language Learners (ELL) at 14.5% of total student enrollment. In fiscal 2027, the number of ELL students decreases by 3.4%, resulting in 363 fewer students requiring language services. Statewide, the number of ELL students enrolled during the 2025 school year has decreased by 3.6%, with only five local school systems reporting an increase in the number of ELL students.
- Baltimore City has the fourth highest share of students receiving special education services at 16.7% of total enrollment. This compares to the statewide average of 14.6%. The number of students receiving special education services increases by 1.9% this year, slightly below the statewide average increase of 2.0%.

- The targeted student index measures the percentage share of a school system's student enrollment approved for FRPM, ELL, and special education services. Baltimore City has the highest targeted student index at 118%, which indicates that a significant portion of the county's public school students has been identified as needing additional educational services to meet academic performance standards. The targeted student index ranges from 41.6% in Calvert County to 118.0% in Baltimore City, with the statewide average at 79.1%.
- Statewide, public school enrollment represents 13.5% of the total State population. In Baltimore City, public school enrollment represents 12.6% of the overall city population (the ninth lowest share in the State). In comparison, Kent County has the lowest share, with public school enrollment accounting for 8.2% of the total county population, while Howard County has the highest share at 16.3%.