

# **Disparity Grant Funding – Maryland Eastern Shore**

## **Fiscal 2025**

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### **Program Overview**

- The disparity grant program provides State funding to nine jurisdictions statewide where per capita revenue collections from the local income tax is below 75% of the statewide average. Under the program, each eligible jurisdiction receives a grant that enables the per capita local income tax revenues to reach 75% of the statewide average.
- Four counties on the Eastern Shore (Caroline, Dorchester, Somerset, and Wicomico) will receive disparity grant funding in fiscal 2025.
- Due to the significant growth in the mandated funding level for the program, the General Assembly approved legislation in 2009 to cap annual funding to the amount that each jurisdiction received in fiscal 2010. While this provision restrained the growth in mandated funding, it failed to recognize changes in local wealth among jurisdictions due to the varying economic and social conditions across the State.
- To address this concern, the General Assembly approved legislation in 2013 that established a minimum funding level based on a jurisdiction's local income tax rate.
- The minimum funding level was set at 20% for jurisdictions with at least a 2.8% local income tax rate, 40% for jurisdictions with at least a 3% rate, and 60% for jurisdictions with the maximum 3.2% rate.
- Subsequent legislation increased the minimum funding amount for jurisdictions with a 3.2% local income tax rate to 75%.

### **Fiscal 2025 Funding Level**

- The Eastern Shore will receive \$28.4 million in funding under the disparity grant program in fiscal 2025. This represents a \$3.6 million or 11.2% decrease from the prior year.
- Four counties will realize a decrease in disparity grant funding in fiscal 2025 including Caroline (\$615,500), Cecil (\$1.1 million), Somerset (\$386,400), and Wicomico (\$2.0 million). Dorchester County will realize a \$508,400 increase in annual funding.

## **Differences in Local Income Tax Yields Impact Disparity Grant Funding**

- The basic reason for the drop in disparity grant funding in fiscal 2025 relates to the narrowing of income disparities between the high- and low-wealth counties.
- The annual decrease in disparity grant funding in fiscal 2025 follows a record increase in funding in fiscal 2024 fueled by above average income growth for tax year 2021 in the more affluent counties. For fiscal 2024, disparity grant funding (statewide) increased by \$58.9 million, which represented a 36.6% increase. Funding for counties on the Eastern Shore increased by \$3.9 million, representing a 14.0% increase.
- This significant increase in State funding was due to a relatively high increase in the per capita income tax yield for local governments in tax year 2021 (which drives the funding allocation for fiscal 2024).
- This increase was particularly high in the more affluent counties – Montgomery, Howard, Talbot, Queen Anne’s, and Anne Arundel.
- Several disparity grant counties had a relatively low increase in their per capita income tax yield, most notably Prince George’s County (second lowest increase in the State).
- With the more affluent counties realizing higher growth in their per capita income tax yield – the disparities among the counties increased considerably in tax year 2021, which resulted in a significant increase in disparity grant funding in fiscal 2024.
- However – in the following year (tax year 2022) – the disparity in local income wealth began to close as the per capita income tax yield actually decreased in many of the affluent counties.
- In comparison, Prince George’s County and four disparity grant counties on the Eastern Shore (Caroline, Cecil, Somerset, and Wicomico) realized an increase in their per capita income tax yield for tax year 2022.
- As a result, the per capita grant amount under the disparity grant program decreased in fiscal 2025 for most counties, including Caroline, Cecil, Somerset, and Wicomico.
- However, since Dorchester County experienced a decrease in their per capita income tax yield, the county will realize increased funding in fiscal 2025.

- While below the amount provided last year, disparity grant funding for Caroline, Somerset, and Wicomico counties in fiscal 2025 will remain above the amount provided in fiscal 2023.
- In summary, tax returns in tax year 2021 generated above average revenue attainment for the high wealth counties. This in turn significantly increased funding under the disparity grant program in fiscal 2024.
- With income tax growth declining in tax year 2022 for the high wealth counties, disparity grant funding is returning back to the levels observed in prior years for many counties including those on the Eastern Shore.

### **Local Tax Policy Impacts Disparity Grant Funding**

- Another factor resulting in a decrease in disparity grant funding in recent years is local tax policy. Changes in local income tax rates can impact the level of State funding provided under the disparity grant program as the minimum funding amount is based on local tax effort.
- Cecil County reduced its local income tax rate in tax year 2023 from 3% to 2.8%, which reduced the minimal funding amount from 40% to 20%. This resulted in a \$1.1 million funding decrease in fiscal 2024. Instead of receiving \$2.2 million in disparity grant funding, the county only received \$1.1 million.
- Once again, Cecil County reduced its local income tax rate in tax year 2024 from 2.8% to 2.75%, which eliminated the minimal funding amount resulting in the county losing its entire disparity grant allocation which would have totaled \$345,800 in fiscal 2025. If Cecil County imposed a 3.2% local income tax rate as the other disparity grant counties on the Eastern Shore, the county would have received \$1.3 million in funding under the program in fiscal 2025.

## Disparity Grant Program - Funding Trend Fiscal 2021 - 2025

County	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Per Capita Amount - FY 25
Allegany	\$7,298,505	\$7,298,505	\$7,298,505	\$5,504,536	\$7,298,505	\$108.50
Anne Arundel	0	0	0	0	0	0.00
Baltimore City	79,051,790	76,194,238	76,194,238	79,051,790	79,051,790	138.70
Baltimore	0	0	0	0	0	0.00
Calvert	0	0	0	0	0	0.00
Caroline	3,414,809	4,035,410	4,035,411	4,686,791	4,071,266	121.77
Carroll	0	0	0	0	0	0.00
Cecil	1,845,541	1,601,242	1,601,242	1,080,718	0	0.00
Charles	0	0	0	0	0	0.00
Dorchester	3,975,293	3,732,681	3,829,858	3,934,595	4,442,984	135.76
Frederick	0	0	0	0	0	0.00
Garrett	2,131,271	2,131,271	2,131,271	2,131,271	2,131,271	74.57
Harford	0	0	0	0	0	0.00
Howard	0	0	0	0	0	0.00
Kent	0	0	0	0	0	0.00
Montgomery	0	0	0	0	0	0.00
Prince George's	39,441,754	36,273,413	43,703,912	98,482,132	69,278,410	73.16
Queen Anne's	0	0	0	0	0	0.00
St. Mary's	0	0	0	0	0	0.00
Somerset	5,949,783	6,757,320	6,757,320	7,229,163	6,842,715	278.77
Talbot	0	0	0	0	0	0.00
Washington	7,781,374	8,360,846	3,834,282	2,990,075	2,367,652	15.22
Wicomico	12,431,403	11,831,757	11,831,757	15,063,448	13,054,914	124.73
Worcester	0	0	0	0	0	0.00
<b>Total</b>	<b>\$163,321,523</b>	<b>\$158,216,683</b>	<b>\$161,217,796</b>	<b>\$220,154,519</b>	<b>\$188,539,507</b>	<b>\$30.58</b>

## Disparity Grant Formula Calculation Under Current Law Fiscal 2025

County	Population July 2022	Adjusted Income Tax Revenues	Per Capita Tax Yield	Per Capita Grant	Total Formula Amount	Fiscal 2010 Grant (Cap Amount)	Income Tax Effort (Floor Amount)	Fiscal 2025 Grant Amount	Net Effect of Cap/Floor Provisions	Percent Capped
Allegany	67,267	\$29,267,623	\$435.10	\$260.53	\$17,525,063	\$7,298,505	\$7,010,025	\$7,298,505	-\$10,226,558	58.4%
Anne Arundel	593,286	650,128,903	1,095.81	0.00	0	0	0	0	0	
Baltimore City	569,931	316,016,809	554.48	141.14	80,442,116	79,051,790	60,331,587	79,051,790	-1,390,326	1.7%
Baltimore	846,161	760,569,330	898.85	0.00	0	0	0	0	0	
Calvert	94,573	90,702,770	959.08	0.00	0	0	0	0	0	
Caroline	33,433	17,828,515	533.26	162.37	5,428,355	2,131,782	4,071,266	4,071,266	-1,357,089	25.0%
Carroll	175,305	173,721,778	990.97	0.00	0	0	0	0	0	
Cecil	104,942	71,271,216	679.15	16.48	1,729,186	0	0	0	-1,729,186	100.0%
Charles	170,102	128,675,828	756.46	0.00	0	0	0	0	0	
Dorchester	32,726	16,841,084	514.61	181.02	5,923,978	2,022,690	4,442,984	4,442,984	-1,480,995	25.0%
Frederick	287,079	285,657,090	995.05	0.00	0	0	0	0	0	
Garrett	28,579	17,459,377	610.92	84.71	2,420,923	2,131,271	0	2,131,271	-289,652	12.0%
Harford	263,867	240,208,211	910.34	0.00	0	0	0	0	0	
Howard	335,411	452,458,280	1,348.97	0.00	0	0	0	0	0	
Kent	19,320	14,594,562	755.41	0.00	0	0	0	0	0	
Montgomery	1,052,521	1,471,668,922	1,398.23	0.00	0	0	0	0	0	
Prince George's	946,971	566,366,607	598.08	97.54	92,371,213	21,694,767	69,278,410	69,278,410	-23,092,803	25.0%
Queen Anne's	51,711	58,500,281	1,131.29	0.00	0	0	0	0	0	
St. Mary's	114,877	100,728,478	876.84	0.00	0	0	0	0	0	
Somerset	24,546	7,951,220	323.93	371.69	9,123,620	4,908,167	6,842,715	6,842,715	-2,280,905	25.0%
Talbot	37,932	46,820,100	1,234.32	0.00	0	0	0	0	0	
Washington	155,590	96,394,217	619.54	76.09	11,838,261	0	2,367,652	2,367,652	-9,470,609	80.0%
Wicomico	104,664	55,400,466	529.32	166.31	17,406,552	2,197,041	13,054,914	13,054,914	-4,351,638	25.0%
Worcester	53,866	48,500,185	900.39	0.00	0	0	0	0	0	
<b>Total</b>	<b>6,164,660</b>	<b>\$5,717,731,853</b>	<b>\$927.50</b>		<b>\$244,209,268</b>	<b>\$121,436,013</b>	<b>\$167,399,553</b>	<b>\$188,539,507</b>	<b>-\$55,669,761</b>	<b>22.8%</b>
		<i>75% Target</i>	<i>\$695.63</i>							

Source: Department of Legislative Services

## Disparity Grant Funding – Per Capita Income Tax Yield Fiscal 2010 and 2025

County					Percent of State Average					
	TY 2007 FY 2010	TY 2022 FY 2025	Avg. Annual Change	Rank	TY 2007 FY 2010	Rank	TY 2022 FY 2025	Rank	Point Difference	Rank
Allegany	\$292.48	\$435.10	2.7%	23	55.8%	22	46.9%	23	-8.9	22
Anne Arundel	618.63	1,095.81	3.9%	9	118.1%	4	118.1%	5	0.1	9
Baltimore City	269.01	554.48	4.9%	1	51.3%	23	59.8%	19	8.4	2
Baltimore	555.39	898.85	3.3%	17	106.0%	7	96.9%	11	-9.1	23
Calvert	551.81	959.08	3.8%	12	105.3%	8	103.4%	8	-1.9	11
Caroline	328.25	533.26	3.3%	16	62.6%	20	57.5%	20	-5.1	15
Carroll	547.40	990.97	4.0%	7	104.5%	9	106.8%	7	2.4	8
Cecil	422.16	679.15	3.2%	19	80.6%	15	73.2%	15	-7.3	18
Charles	469.47	756.46	3.2%	18	89.6%	13	81.6%	13	-8.0	20
Dorchester	329.51	514.61	3.0%	22	62.9%	19	55.5%	22	-7.4	19
Frederick	572.18	995.05	3.8%	11	109.2%	5	107.3%	6	-1.9	12
Garrett	321.09	610.92	4.4%	3	61.3%	21	65.9%	17	4.6	4
Harford	526.69	910.34	3.7%	13	100.5%	10	98.1%	9	-2.4	13
Howard	763.32	1,348.97	3.9%	10	145.7%	2	145.4%	2	-0.2	10
Kent	456.39	755.41	3.4%	14	87.1%	14	81.4%	14	-5.6	17
Montgomery	773.25	1,398.23	4.0%	8	147.6%	1	150.8%	1	3.2	6
Prince George's	366.84	598.08	3.3%	15	70.0%	18	64.5%	18	-5.5	16
Queen Anne's	557.57	1,131.29	4.8%	2	106.4%	6	122.0%	4	15.6	1
St. Mary's	480.32	876.84	4.1%	6	91.7%	11	94.5%	12	2.9	7
Somerset	204.36	323.93	3.1%	20	39.0%	24	34.9%	24	-4.1	14
Talbot	674.03	1,234.32	4.1%	5	128.6%	3	133.1%	3	4.5	5
Washington	396.22	619.54	3.0%	21	75.6%	16	66.8%	16	-8.8	21
Wicomico	369.55	529.32	2.4%	24	70.5%	17	57.1%	21	-13.5	24
Worcester	476.58	900.39	4.3%	4	90.9%	12	97.1%	10	6.1	3
<b>Total</b>	<b>\$524.03</b>	<b>\$927.50</b>	<b>3.9%</b>		<b>100.0%</b>		<b>100.0%</b>		<b>0.0</b>	

## Disparity Grant Program - Comparison with Prior Year Fiscal 2023 - 2025

County	FY 2023	FY 2024	FY 2025	Annual Difference FY 2023 - 2024	Annual Difference FY 2024 - 2025	Two-Year Difference FY 2023 - 2025	Annual % Difference FY 2023 - 2024	Annual % Difference FY 2024 - 2025	Two-Year % Difference FY 2023 - 2025
Allegany	7,298,505	\$5,504,536	\$7,298,505	-\$1,793,969	\$1,793,969	\$0	-24.6%	32.6%	0.0%
Anne Arundel	0	0	0	0	0	0			
Baltimore City	76,194,238	79,051,790	79,051,790	2,857,552	0	2,857,552	3.8%	0.0%	3.8%
Baltimore	0	0	0	0	0	0			
Calvert	0	0	0	0	0	0			
Caroline	4,035,411	4,686,791	4,071,266	651,380	-615,525	35,855	16.1%	-13.1%	0.9%
Carroll	0	0	0	0	0	0			
Cecil	1,601,242	1,080,718	0	-520,524	-1,080,718	-1,601,242	-32.5%	-100.0%	-100.0%
Charles	0	0	0	0	0	0			
Dorchester	3,829,858	3,934,595	4,442,984	104,737	508,389	613,126	2.7%	12.9%	16.0%
Frederick	0	0	0	0	0	0			
Garrett	2,131,271	2,131,271	2,131,271	0	0	0	0.0%	0.0%	0.0%
Harford	0	0	0	0	0	0			
Howard	0	0	0	0	0	0			
Kent	0	0	0	0	0	0			
Montgomery	0	0	0	0	0	0			
Prince George's	43,703,912	98,482,132	69,278,410	54,778,220	-29,203,722	25,574,498	125.3%	-29.7%	58.5%
Queen Anne's	0	0	0	0	0	0			
St. Mary's	0	0	0	0	0	0			
Somerset	6,757,320	7,229,163	6,842,715	471,843	-386,448	85,395	7.0%	-5.3%	1.3%
Talbot	0	0	0	0	0	0			
Washington	3,834,282	2,990,075	2,367,652	-844,207	-622,423	-1,466,630	-22.0%	-20.8%	-38.3%
Wicomico	11,831,757	15,063,448	13,054,914	3,231,691	-2,008,534	1,223,157	27.3%	-13.3%	10.3%
Worcester	0	0	0	0	0	0			
<b>Total</b>	<b>\$161,217,796</b>	<b>\$220,154,519</b>	<b>\$188,539,507</b>	<b>\$58,936,723</b>	<b>-\$31,615,012</b>	<b>\$27,321,711</b>	<b>36.6%</b>	<b>-14.4%</b>	<b>16.9%</b>

Source: Department of Legislative Services

## Disparity Grant Funding – Per Capita Income Tax Yield Fiscal 2023 - 2025

County						Percent of State Average					
	TY 2020 FY 2023	TY 2021 FY 2024	TY 2022 FY 2025	Annual Difference FY 23-24    FY 24-25		TY 2020 FY 2023	Rank	TY 2021 FY 2024	Rank	TY 2022 FY 2025	Rank
Allegany	\$374.99	\$614.92	\$435.10	64.0%	-29.2%	48.5%	23	66.2%	16	46.9%	23
Anne Arundel	902.15	1,084.21	1,095.81	20.2%	1.1%	116.6%	4	116.8%	5	118.1%	5
Baltimore City	469.55	538.18	554.48	14.6%	3.0%	60.7%	19	58.0%	20	59.8%	19
Baltimore	733.01	914.75	898.85	24.8%	-1.7%	94.7%	11	98.5%	9	96.9%	11
Calvert	841.81	934.37	959.08	11.0%	2.6%	108.8%	7	100.7%	8	103.4%	8
Caroline	447.82	509.02	533.26	13.7%	4.8%	57.9%	20	54.8%	22	57.5%	20
Carroll	842.95	982.38	990.97	16.5%	0.9%	108.9%	6	105.8%	6	106.8%	7
Cecil	575.15	644.19	679.15	12.0%	5.4%	74.3%	15	69.4%	15	73.2%	15
Charles	683.36	730.85	756.46	6.9%	3.5%	88.3%	12	78.7%	14	81.6%	13
Dorchester	423.35	534.72	514.61	26.3%	-3.8%	54.7%	22	57.6%	21	55.5%	22
Frederick	823.15	958.27	995.05	16.4%	3.8%	106.4%	8	103.2%	7	107.3%	6
Garrett	479.03	595.14	610.92	24.2%	2.7%	61.9%	18	64.1%	18	65.9%	17
Harford	781.17	903.60	910.34	15.7%	0.7%	101.0%	9	97.3%	10	98.1%	9
Howard	1,131.03	1,384.51	1,348.97	22.4%	-2.6%	146.2%	2	149.2%	2	145.4%	2
Kent	619.64	797.28	755.41	28.7%	-5.3%	80.1%	14	85.9%	13	81.4%	14
Montgomery	1,160.73	1,453.52	1,398.23	25.2%	-3.8%	150.0%	1	156.6%	1	150.8%	1
Prince George's	520.08	558.74	598.08	7.4%	7.0%	67.2%	16	60.2%	19	64.5%	18
Queen Anne's	911.41	1,130.44	1,131.29	24.0%	0.1%	117.8%	3	121.8%	4	122.0%	4
St. Mary's	747.63	835.33	876.84	11.7%	5.0%	96.6%	10	90.0%	12	94.5%	12
Somerset	258.78	304.12	323.93	17.5%	6.5%	33.4%	24	32.8%	24	34.9%	24
Talbot	890.77	1,301.83	1,234.32	46.1%	-5.2%	115.1%	5	140.2%	3	133.1%	3
Washington	518.36	599.70	619.54	15.7%	3.3%	67.0%	17	64.6%	17	66.8%	16
Wicomico	442.43	503.04	529.32	13.7%	5.2%	57.2%	21	54.2%	23	57.1%	21
Worcester	664.50	898.07	900.39	35.2%	0.3%	85.9%	13	96.7%	11	97.1%	10
<b>Total</b>	<b>\$773.76</b>	<b>\$928.26</b>	<b>\$927.50</b>	<b>20.0%</b>	<b>-0.1%</b>	<b>100.0%</b>		<b>100.0%</b>		<b>100.0%</b>	
75% State Avg.	\$580.32	\$696.19	\$695.63	20.0%	-0.1%						

## Disparity Grant Funding – Per Capita Grant Amount Fiscal 2023 - 2025

County	FY 2023	FY 2024	FY 2025	Annual Difference	
				FY 23-24	FY 24-25
Allegany	\$205.33	\$81.27	\$260.53	-\$124.06	\$179.26
Anne Arundel	0.00	0.00	0.00	0.00	0.00
Baltimore City	110.77	158.02	141.14	47.25	-16.87
Baltimore	0.00	0.00	0.00	0.00	0.00
Calvert	0.00	0.00	0.00	0.00	0.00
Caroline	132.50	187.18	162.37	54.67	-24.81
Carroll	0.00	0.00	0.00	0.00	0.00
Cecil	5.18	52.01	16.48	46.83	-35.53
Charles	0.00	0.00	0.00	0.00	0.00
Dorchester	156.97	161.47	181.02	4.50	19.54
Frederick	0.00	0.00	0.00	0.00	0.00
Garrett	101.29	101.05	84.71	-0.24	-16.34
Harford	0.00	0.00	0.00	0.00	0.00
Howard	0.00	0.00	0.00	0.00	0.00
Kent	0.00	0.00	0.00	0.00	0.00
Montgomery	0.00	0.00	0.00	0.00	0.00
Prince George's	60.25	137.45	97.54	77.20	-39.91
Queen Anne's	0.00	0.00	0.00	0.00	0.00
St. Mary's	0.00	0.00	0.00	0.00	0.00
Somerset	321.54	392.08	371.69	70.53	-20.38
Talbot	0.00	0.00	0.00	0.00	0.00
Washington	61.96	96.49	76.09	34.53	-20.41
Wicomico	137.89	193.16	166.31	55.27	-26.85
Worcester	0.00	0.00	0.00	0.00	0.00