

# State Aid to the Maryland Eastern Shore

## Fiscal 2023

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### State Aid Overview

- The nine counties on the Eastern Shore will receive \$735.0 million in State aid in fiscal 2023. Of this amount, \$678.5 million is direct aid, and \$56.5 million is for retirement payments. This represents a \$23.0 million increase over the prior year.
- On a per capita basis, State aid ranges from \$785 in Talbot County to over \$2,500 in Caroline County, which receives the most State aid on a per capita basis when compared to the other 23 local jurisdictions.
- Four Eastern Shore counties are ranked in the top five in the level of State support received on a per capita basis (Caroline, Somerset, Dorchester, and Wicomico), while Cecil County is ranked tenth and close to the statewide average. Four counties (Talbot, Kent, Worcester, and Queen Anne's) receive less State aid when compared to other jurisdictions, due to their relatively high local tax base. Approximately 70% of State aid to local governments is allocated based on local wealth, whereby more affluent jurisdictions receive less State funding. Local wealth is measured by a jurisdiction's property tax base (county assessable base) and income tax base (net taxable income).

### Proposed Enhancements

- The proposed State budget includes \$45.9 million in additional funding for the police aid formula, of which \$3.5 million is targeted to law enforcement agencies on the Eastern Shore. The allocation is based on county population (\$6.46 per capita) and the number of municipal sworn officers (\$975 per officer). Baltimore City receives \$8 million under the formula enhancement.
- The proposed State budget also includes \$7.6 million in additional funding to local health departments, of which \$1.4 million is targeted to counties on the Eastern Shore.
- Regarding public school funding, the Administration provided an additional \$57.3 million in hold harmless grants under the compensatory aid program to offset declines in the free and reduced-price meal count. Six local school systems on the Eastern Shore are scheduled to receive additional funding totaling \$3.2 million.
- The Administration also provided an additional \$68.1 million for full-day prekindergarten programs that exceeded the requirements under the Blueprint Plan. The Administration provided per student funding regardless of family income. Under the Blueprint Plan, full-day prekindergarten funding is targeted for the lowest income families at 300% of the federal poverty level. Local school systems on the Eastern Shore will receive \$8.2 million of this additional funding.

- However, the additional discretionary enhancements to education aid are offset by the Administration's underfunding of the Education Effort Index which provides additional funding to Baltimore City (\$99.0 million) and Prince George's County (\$26.5 million).

## **County-Municipal Aid**

- The Eastern Shore will receive \$69.5 million in county-municipal aid, which represents a \$0.2 million increase from the prior year.
- State funding includes \$18.2 million for highway user revenues, \$8.2 million for police aid, \$24.0 million in disparity grants, \$10.7 million in gaming impact aid, and \$3.0 million for fire and rescue aid.

## **Public Safety Grants**

- The Eastern Shore will receive \$4.7 million in funding under the existing police aid formula and \$3.5 million under the proposed enhancement.
- The majority of State funding under the police aid formula is based on population density. More urbanized jurisdictions with a higher population density receive a higher per capita grant amount. A small component of the formula (representing 4.3% of overall funding) targets funding to municipalities based on the number of sworn officers. Funding in fiscal 2023 is based on \$1,950 per sworn officer. The Administration's proposal would increase the per sworn officer grant to \$2,925 (representing a \$975 per officer increase).
- Since fiscal 2004, local governments are responsible for covering 30% of the costs for the State Police crime lab. The local reimbursement is based on each jurisdiction's crime rate (one-third) and local wealth (two-thirds). The local reimbursement is deducted from each jurisdiction's police aid amount.
- The Eastern Shore will receive \$3.0 million in fire and rescue aid in fiscal 2023. 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 (\$300,000).

## **Transportation Aid**

- Legislation enacted in 2018 required the State to provide capital transportation grants to local governments based on the amount of revenue allocated to the Gasoline and Motor Vehicle Revenue Account. The local share will total 13.5% in fiscal 2020 to 2024. Baltimore City receives 8.3%, county governments receive 3.2%, and municipal governments receive 2.0%.

- The county and municipal share is based on road mileage and vehicle registration. In fiscal 2023, the Eastern Shore will receive \$18.2 million in local transportation grants. County governments will receive \$9.5 million, and municipalities will receive \$8.7 million.

### **Disparity Grants**

- Five counties on the Eastern Shore (Caroline, Cecil, Dorchester, Somerset, and Wicomico) will receive \$24.0 million in funding under the disparity grant program in fiscal 2023. This represents \$8.25 million less than the total formula amounts due to legislation enacted in 2009 that capped each jurisdiction's amount at the fiscal 2010 funding level. This reduction was partially offset by the minimum funding amount established in 2013.
- The disparity grant program provides State funding to 10 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.
- Due to 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 the 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%.

### **Gaming Impact Aid**

- Cecil County will receive \$5.3 million in gaming impact aid in fiscal 2023, and Worcester County will receive \$5.4 million.

### **Education Aid**

- Around 85% of State aid to local governments will go to public schools. The nine local school systems on the Eastern Shore will receive \$561.1 million in direct aid in fiscal 2023, which represents a \$22.8 million increase from the prior year. In addition, the State will provide \$51.8 million in funding for teacher retirement payments.

- State support for public schools remains relatively strong. Five local school systems on the Eastern Shore will receive above average support. Somerset County will receive the highest level of State support when measured on a per pupil basis (\$16,915). Three other local school systems on the Eastern Shore (Caroline, Wicomico, and Dorchester) are ranked in the top five for per pupil State funding, with Cecil County’s per pupil funding exceeding the State average.

### **Blueprint and Targeted Funding**

- Local school systems on the Eastern Shore will receive \$42.2 million in additional State funding under the Blueprint Initiatives in fiscal 2023. This includes \$4.2 million for supplemental instruction, \$15.2 million in concentration of poverty grants, and \$17.2 million for full-day prekindergarten.
- A considerable amount of State education funding is based on targeted student populations, with Eastern Shore school systems receiving \$183.3 million in targeted grants under the compensatory aid, English Language Learners, and special education programs.

### **Student Enrollment**

- Statewide, student enrollment decreases by 0.7% in fiscal 2023, with two local school systems on the Eastern Shore posting gains in student enrollment (Worcester and Wicomico) and seven school systems realizing decreases in student enrollment.
- A high percentage of public school students on the Eastern Shore are eligible for targeted educational services (Free and Reduced-price Meals, English Language Learners, and Special Education). Six local school systems have a “targeted student population” above the State average (Somerset, Dorchester, Wicomico, Caroline, Talbot, and Kent).
- In Somerset and Dorchester counties, over two-thirds of public school students are approved for free and reduced-price meals. This compares with only 19.8% in Queen Anne’s County (third lowest percentage in the State).
- In addition, most local school systems on the Eastern Shore are experiencing a rise in the number of English Language Learners. The annual increase exceeds 10% in five school systems, with Talbot County realizing the highest increase at 18.6%. Talbot County currently has the third highest share of English Language Learners in Maryland, representing 13.4% of student enrollment. Only Prince George’s and Montgomery counties have a larger share of English Language Learners as a percent of student enrollment.
- Also, three of the top five local school systems with the highest proportion of student receiving special education services are on the Eastern Shore (Cecil, Somerset, and Kent). The percent of students receiving special education services ranges from 10.2% in Dorchester County to 17.0% in Cecil County, with the State average at 12.8%.