

# THE BALANCE SHEET

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



DEPARTMENT OF LEGISLATIVE SERVICES 2013

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# **The Balance Sheet**

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

**Fiscal 2010**

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

**January 2013**

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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 2013

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

Ladies and Gentlemen:

Local governments in Maryland currently depend on State aid to help support vital public services such as education, transportation, public safety, and land preservation programs. State aid accounts for approximately 28% of total county revenues and 5% of total municipal revenues. Additionally, State aid to local governments continues to be one of the largest components of the State budget, accounting for 40% of general fund expenditures and 25% 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 county the State financial assistance received for each dollar of State revenue generated. It also features a 10-year summary of county-by-county State financial assistance received for each dollar of revenues funding State aid expenditures. The report also includes information on the allocation of State revenues, per capita comparisons of State revenue allocations and State aid, and a summary of certain changes affecting the comparability of the current analysis with previous reports.

The study was prepared by Scott Gates and Michael Sanelli and reviewed by Hiram Burch and Michael Sanelli; 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

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*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 2010, State revenue collections allocated in *The Balance Sheet* totaled \$13.3 billion, while State aid payments to local governments totaled \$6.2 billion. The individual income tax accounted for 46.6%

of the State revenues allocated in the report while the sales tax accounted for 28.4% of revenues.

On average, local governments received \$0.47 in State aid for each \$1.00 in taxes paid by county residents and businesses. This illustrates that local governments received 47% 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 2001; ranging from a low of 34% in fiscal 2001 to a high of 47% in fiscal 2010. During this 10-year period, the "balance sheet index" as a percent of the statewide average increased in 3 jurisdictions, decreased in 11 jurisdictions, and remained relatively constant in 10 jurisdictions.

The ratios for 15 counties in fiscal 2010 matched or exceeded the statewide weighted average. State aid to revenue allocation ratios for Anne Arundel, Baltimore, Howard, Kent, Montgomery, Queen Anne's, 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, Howard, Kent, Montgomery, Talbot, and Worcester counties received the least amount of aid; whereas, Baltimore City and Allegany, Caroline, Cecil, Dorchester, and Somerset counties received the most.





# Chapter 1. Balance Sheet Index

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## Introduction

*The Balance Sheet* compares on a county-by-county basis State aid to State revenue collections as allocated among the counties. In fiscal 2010, State revenue collections allocated in *The Balance Sheet* totaled \$13.3 billion, while State aid payments to local governments totaled \$6.2 billion. This illustrates that local governments received approximately 47% 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 2001 to a high of 47% in fiscal 2010. **Exhibit 1.1** summarizes the county-by-county tax revenues and State aid allocations for fiscal 2010.

## 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 0.90 for Allegany County in 2010 indicates that for every dollar of State tax revenues allocated to Allegany County, the county received \$0.90 in direct State aid. The amount of direct grants received for each \$1.00 of taxes paid in fiscal 2010 ranged from \$0.12 in Talbot County to \$1.28 in Somerset County. Statewide, the weighted average for this measure was \$0.43, and the simple average (county mean) was \$0.55. 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 2010 the county received \$0.95 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 2010 varied from \$0.13 for Talbot County to \$1.29 for Somerset County. Statewide, the weighted average was \$0.47, and the simple average was \$0.58.

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 2010 for example, Allegany County's direct aid index is 2.09, indicating that Allegany County's ratio was 109% above the statewide average. Including payments-on-behalf lowers Allegany County's ratio to 2.04 or 104% 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 through 1.7 show the standard deviation. Standard deviation measures how widely dispersed values are in a data set. The closer data points are to the average, the smaller the standard deviation; however, as data points become more spread out over the data set, the standard deviation increases. For example, the standard deviations for both measurements in Exhibit 1.2 are relatively small at approximately 0.31. 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 \$0.43 in direct State aid for each \$1.00 in taxes paid by county residents and businesses. The ratios for 15 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 \$0.55, calculated by summing the county ratios and dividing by 24, is somewhat higher than the statewide weighted average.

Likewise, on average local governments received \$0.47 in total State aid for each \$1.00 in taxes paid. Again, the ratios for 15 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.

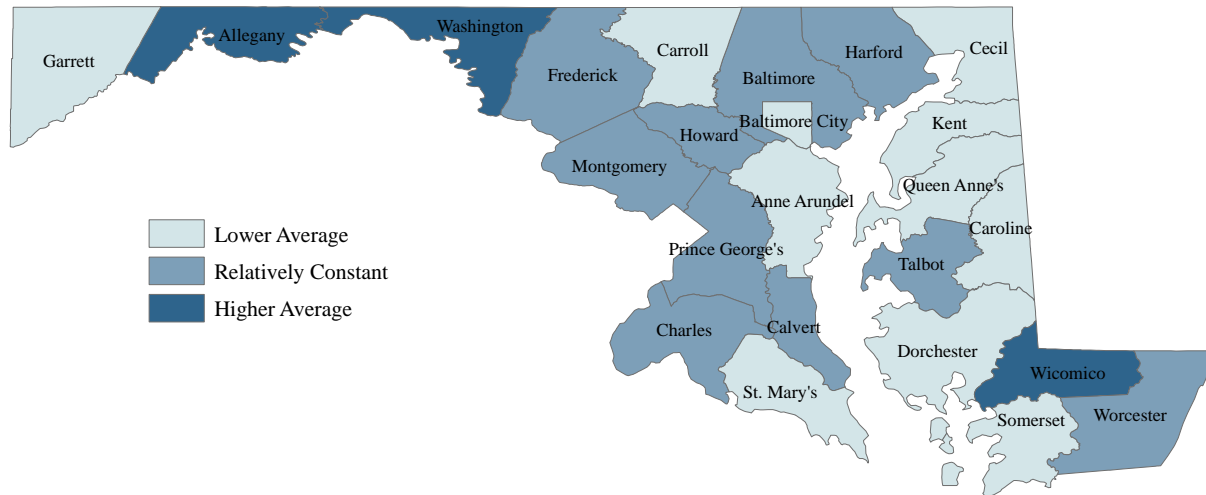
In terms of total State aid received for each \$1.00 in taxes paid, Anne Arundel, Montgomery, Talbot, and Worcester counties had the lowest ratios in fiscal 2010 (received the least amount of State aid in relation to the collection of allocated State tax revenues); while Baltimore City and Caroline and 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 Anne Arundel, Montgomery, Talbot, and Worcester counties received the least amount of aid. One of these counties, Worcester, has 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 Anne Arundel, Montgomery, and Talbot counties, however, has been more noticeable. Due to the considerable amount of State aid provided to less affluent jurisdictions, several counties (Baltimore City, Allegany, Caroline, and Somerset) received more than 200% of the statewide average. Over the

10-year period, the amount of aid received for these four 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 240% in fiscal 2010 to 273% in fiscal 2003. In Allegany County, the index ranged from a low of 175% in fiscal 2001 to a high of 209% in fiscal 2008. In Caroline County, the index ranged from a low of 247% in fiscal 2006 to a high of 275% in fiscal 2001. In Somerset County, the index reached a high of 288% in fiscal 2001 and 2003 compared to a low of 263% in fiscal 2009.

During this 10-year period, the "balance sheet index" as a percent of the statewide average increased in 3 jurisdictions and decreased in 11 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



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

As shown in **Exhibit 1.9**, the five counties that generated the most State tax revenues in fiscal 2010 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, Caroline, Cecil, Dorchester, and Somerset. It is important to note that State residents are subject to the same State tax rates regardless of the locality in which they reside. Jurisdictions that generate more State tax revenue per capita typically have a greater proportion of residents with higher incomes, or a larger overall taxbase.

Jurisdictions that received the greatest amount of State aid in fiscal 2010 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 2010**

<b>County</b>	<b>Allocation of Tax Revenues Excluding Property Tax</b>	<b>Allocation of Total Tax Revenues</b>	<b>Direct State Grants</b>	<b>Direct Grants and Payments- on-behalf</b>
Allegany	\$112,997,530	\$117,149,843	\$101,826,180	\$111,186,580
Anne Arundel	1,316,523,052	1,401,838,788	316,311,024	383,174,591
Baltimore City	1,018,391,012	1,072,343,530	1,120,232,626	1,195,764,509
Baltimore	1,851,248,800	1,939,385,136	565,275,785	657,763,971
Calvert	177,634,982	191,376,334	89,960,824	105,685,300
Caroline	40,146,807	43,329,421	47,515,334	52,277,480
Carroll	363,122,924	384,919,388	152,906,828	177,579,757
Cecil	140,464,528	152,598,865	105,228,658	119,203,074
Charles	319,559,429	338,935,163	159,855,958	182,536,006
Dorchester	48,229,067	51,748,430	35,356,125	39,522,363
Frederick	496,299,117	528,776,820	217,819,493	252,542,735
Garrett	49,653,149	55,147,916	31,943,979	36,118,881
Harford	490,745,533	519,819,761	224,110,580	258,211,768
Howard	780,541,293	830,813,470	216,892,568	271,405,178
Kent	38,676,214	42,192,975	11,558,197	13,811,627
Montgomery	2,631,912,377	2,820,355,854	532,930,847	692,819,810
Prince George's	1,581,620,143	1,676,240,419	980,444,363	1,099,637,927
Queen Anne's	100,155,547	109,419,195	33,446,560	39,524,717
St. Mary's	207,389,896	220,440,130	97,510,427	111,069,388
Somerset	23,772,785	25,892,609	30,487,201	33,353,039
Talbot	115,060,425	125,458,923	13,296,430	16,848,544
Washington	272,730,686	287,226,785	152,461,859	170,280,497
Wicomico	187,352,841	195,204,358	124,826,408	137,763,208
Worcester	149,125,631	170,337,750	20,741,072	28,237,482
<b>Total</b>	<b>\$12,513,353,767</b>	<b>\$13,300,951,862</b>	<b>\$5,382,939,326</b>	<b>\$6,186,318,432</b>

Source: Department of Legislative Services

**Exhibit 1.2**  
**State Financial Assistance Received for Each \$1.00 of Taxes Paid**  
**Fiscal 2010**

<b>County</b>	<b>Direct State Grants</b>	<b>Direct Grants and Payments-on-behalf</b>
Allegany	0.90	0.95
Anne Arundel	0.24	0.27
Baltimore City	1.10	1.12
Baltimore	0.31	0.34
Calvert	0.51	0.55
Caroline	1.18	1.21
Carroll	0.42	0.46
Cecil	0.75	0.78
Charles	0.50	0.54
Dorchester	0.73	0.76
Frederick	0.44	0.48
Garrett	0.64	0.65
Harford	0.46	0.50
Howard	0.28	0.33
Kent	0.30	0.33
Montgomery	0.20	0.25
Prince George's	0.62	0.66
Queen Anne's	0.33	0.36
St. Mary's	0.47	0.50
Somerset	1.28	1.29
Talbot	0.12	0.13
Washington	0.56	0.59
Wicomico	0.67	0.71
Worcester	0.14	0.17
<b>Total (Weighted Avg.)</b>	<b>0.43</b>	<b>0.47</b>
<b>County Mean (Simple Avg.)</b>	<b>0.55</b>	<b>0.58</b>
<b>Standard Deviation</b>	<b>0.31</b>	<b>0.31</b>

Source: Department of Legislative Services

**Exhibit 1.3**  
**State Financial Assistance Received as a Percent of the Statewide Average**  
**Fiscal 2010**

<b>County</b>	<b>Direct State Grants</b>	<b>Direct Grants and Payments-on-behalf</b>
Allegany	2.09	2.04
Anne Arundel	0.56	0.59
Baltimore City	2.56	2.40
Baltimore	0.71	0.73
Calvert	1.18	1.19
Caroline	2.75	2.59
Carroll	0.98	0.99
Cecil	1.74	1.68
Charles	1.16	1.16
Dorchester	1.70	1.64
Frederick	1.02	1.03
Garrett	1.50	1.41
Harford	1.06	1.07
Howard	0.65	0.70
Kent	0.69	0.70
Montgomery	0.47	0.53
Prince George's	1.44	1.41
Queen Anne's	0.78	0.78
St. Mary's	1.09	1.08
Somerset	2.98	2.77
Talbot	0.27	0.29
Washington	1.30	1.27
Wicomico	1.55	1.52
Worcester	0.32	0.36
<b>Total (Weighted Avg.)</b>	<b>1.00</b>	<b>1.00</b>
<b>County Mean (Simple Avg.)</b>	<b>1.27</b>	<b>1.25</b>
<b>Standard Deviation</b>	<b>0.74</b>	<b>0.68</b>

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Allegany	0.56	0.64	0.70	0.67	0.65	0.71	0.80	0.87	0.89	0.90
Anne Arundel	0.21	0.24	0.24	0.22	0.22	0.21	0.23	0.24	0.25	0.24
Baltimore City	0.87	0.98	1.05	0.98	0.94	0.95	1.02	1.07	1.11	1.10
Baltimore	0.20	0.23	0.24	0.23	0.24	0.24	0.27	0.29	0.30	0.31
Calvert	0.38	0.44	0.46	0.46	0.45	0.46	0.49	0.52	0.51	0.51
Caroline	0.88	0.95	1.03	0.97	0.90	0.90	1.05	1.12	1.20	1.18
Carroll	0.34	0.35	0.37	0.35	0.35	0.36	0.39	0.41	0.43	0.42
Cecil	0.56	0.63	0.65	0.62	0.62	0.65	0.69	0.74	0.76	0.75
Charles	0.35	0.39	0.40	0.39	0.40	0.43	0.48	0.50	0.51	0.50
Dorchester	0.59	0.65	0.65	0.61	0.57	0.60	0.62	0.69	0.75	0.73
Frederick	0.29	0.31	0.32	0.31	0.31	0.33	0.36	0.41	0.44	0.44
Garrett	0.65	0.70	0.70	0.67	0.59	0.58	0.62	0.62	0.63	0.64
Harford	0.34	0.37	0.39	0.38	0.37	0.39	0.43	0.45	0.47	0.46
Howard	0.18	0.21	0.22	0.22	0.22	0.22	0.24	0.26	0.28	0.28
Kent	0.29	0.34	0.35	0.30	0.28	0.28	0.27	0.24	0.28	0.30
Montgomery	0.12	0.14	0.16	0.15	0.15	0.14	0.15	0.17	0.19	0.20
Prince George's	0.42	0.47	0.52	0.49	0.50	0.54	0.59	0.64	0.64	0.62
Queen Anne's	0.29	0.27	0.31	0.29	0.27	0.28	0.30	0.32	0.35	0.33
St. Mary's	0.37	0.39	0.40	0.39	0.40	0.42	0.45	0.48	0.50	0.47
Somerset	0.93	1.04	1.11	1.05	0.96	1.04	1.12	1.24	1.19	1.28
Talbot	0.09	0.11	0.10	0.12	0.12	0.11	0.12	0.11	0.12	0.12
Washington	0.35	0.37	0.38	0.36	0.36	0.39	0.46	0.52	0.55	0.56
Wicomico	0.38	0.41	0.45	0.44	0.44	0.45	0.51	0.58	0.63	0.67
Worcester	0.09	0.10	0.10	0.11	0.12	0.12	0.14	0.14	0.14	0.14
<b>Total (Weighted Avg.)</b>	<b>0.31</b>	<b>0.35</b>	<b>0.37</b>	<b>0.35</b>	<b>0.34</b>	<b>0.35</b>	<b>0.38</b>	<b>0.41</b>	<b>0.43</b>	<b>0.43</b>
<b>County Mean (Simple Avg.)</b>	<b>0.41</b>	<b>0.45</b>	<b>0.47</b>	<b>0.45</b>	<b>0.43</b>	<b>0.45</b>	<b>0.49</b>	<b>0.53</b>	<b>0.55</b>	<b>0.55</b>
<b>Standard Deviation</b>	<b>0.24</b>	<b>0.26</b>	<b>0.28</b>	<b>0.26</b>	<b>0.24</b>	<b>0.25</b>	<b>0.28</b>	<b>0.30</b>	<b>0.31</b>	<b>0.31</b>

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

Source: Department of Legislative Services

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

County	10 Fiscal Year Summary									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Allegany	0.59	0.67	0.73	0.69	0.67	0.73	0.83	0.91	0.93	0.95
Anne Arundel	0.24	0.26	0.27	0.24	0.23	0.23	0.25	0.26	0.27	0.27
Baltimore City	0.91	1.01	1.08	1.00	0.95	0.96	1.03	1.09	1.12	1.12
Baltimore	0.23	0.25	0.27	0.26	0.26	0.26	0.29	0.31	0.33	0.34
Calvert	0.42	0.47	0.50	0.48	0.47	0.48	0.51	0.55	0.54	0.55
Caroline	0.93	0.99	1.07	0.99	0.92	0.91	1.06	1.14	1.21	1.21
Carroll	0.37	0.38	0.39	0.37	0.37	0.38	0.41	0.44	0.46	0.46
Cecil	0.61	0.66	0.69	0.64	0.64	0.66	0.71	0.76	0.78	0.78
Charles	0.38	0.42	0.43	0.42	0.42	0.44	0.50	0.53	0.54	0.54
Dorchester	0.63	0.67	0.68	0.63	0.59	0.61	0.63	0.71	0.76	0.76
Frederick	0.32	0.33	0.35	0.33	0.33	0.35	0.38	0.44	0.47	0.48
Garrett	0.69	0.72	0.72	0.67	0.60	0.58	0.62	0.63	0.64	0.65
Harford	0.38	0.40	0.42	0.40	0.39	0.40	0.45	0.48	0.50	0.50
Howard	0.22	0.24	0.25	0.25	0.25	0.25	0.27	0.30	0.32	0.33
Kent	0.32	0.37	0.38	0.32	0.30	0.30	0.29	0.26	0.30	0.33
Montgomery	0.15	0.17	0.19	0.19	0.18	0.17	0.18	0.20	0.22	0.25
Prince George's	0.45	0.50	0.55	0.51	0.52	0.55	0.61	0.67	0.66	0.66
Queen Anne's	0.32	0.29	0.34	0.31	0.29	0.29	0.31	0.34	0.37	0.36
St. Mary's	0.41	0.41	0.43	0.41	0.42	0.43	0.47	0.50	0.52	0.50
Somerset	0.97	1.07	1.14	1.06	0.97	1.05	1.12	1.24	1.20	1.29
Talbot	0.11	0.13	0.12	0.14	0.14	0.12	0.13	0.12	0.13	0.13
Washington	0.38	0.40	0.41	0.34	0.38	0.40	0.48	0.54	0.57	0.59
Wicomico	0.42	0.44	0.49	0.47	0.46	0.47	0.54	0.61	0.67	0.71
Worcester	0.11	0.12	0.13	0.13	0.13	0.13	0.15	0.16	0.15	0.17
<b>Total (Weighted Avg.)</b>	<b>0.34</b>	<b>0.37</b>	<b>0.40</b>	<b>0.37</b>	<b>0.37</b>	<b>0.37</b>	<b>0.40</b>	<b>0.43</b>	<b>0.46</b>	<b>0.47</b>
<b>County Mean (Simple Avg.)</b>	<b>0.44</b>	<b>0.47</b>	<b>0.50</b>	<b>0.47</b>	<b>0.45</b>	<b>0.47</b>	<b>0.51</b>	<b>0.55</b>	<b>0.57</b>	<b>0.58</b>
<b>Standard Deviation</b>	<b>0.25</b>	<b>0.26</b>	<b>0.28</b>	<b>0.26</b>	<b>0.24</b>	<b>0.25</b>	<b>0.28</b>	<b>0.30</b>	<b>0.30</b>	<b>0.31</b>

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

Source: Department of Legislative Services

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

County	10 Fiscal Year Summary									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Allegany	1.81	1.84	1.89	1.90	1.87	2.02	2.09	2.11	2.08	2.09
Anne Arundel	0.69	0.70	0.66	0.63	0.63	0.60	0.61	0.59	0.57	0.56
Baltimore City	2.84	2.83	2.85	2.79	2.74	2.70	2.67	2.61	2.59	2.56
Baltimore	0.65	0.66	0.66	0.67	0.68	0.68	0.70	0.70	0.71	0.71
Calvert	1.23	1.26	1.26	1.30	1.30	1.30	1.27	1.27	1.18	1.18
Caroline	2.88	2.75	2.81	2.76	2.60	2.56	2.74	2.74	2.80	2.75
Carroll	1.11	1.01	1.00	0.99	1.02	1.02	1.03	1.00	0.99	0.98
Cecil	1.83	1.81	1.78	1.76	1.79	1.85	1.81	1.80	1.76	1.74
Charles	1.14	1.14	1.09	1.13	1.17	1.21	1.24	1.23	1.19	1.16
Dorchester	1.93	1.87	1.76	1.75	1.66	1.71	1.61	1.69	1.74	1.70
Frederick	0.93	0.89	0.87	0.88	0.90	0.94	0.95	1.00	1.03	1.02
Garrett	2.13	2.02	1.92	1.91	1.72	1.64	1.62	1.51	1.47	1.50
Harford	1.11	1.08	1.05	1.07	1.08	1.10	1.13	1.11	1.09	1.06
Howard	0.60	0.62	0.60	0.64	0.64	0.64	0.63	0.64	0.65	0.65
Kent	0.94	0.98	0.96	0.87	0.82	0.81	0.71	0.58	0.65	0.69
Montgomery	0.38	0.41	0.42	0.43	0.43	0.40	0.40	0.41	0.43	0.47
Prince George's	1.36	1.35	1.41	1.40	1.45	1.53	1.54	1.56	1.48	1.44
Queen Anne's	0.93	0.77	0.86	0.83	0.78	0.79	0.78	0.77	0.81	0.78
St. Mary's	1.22	1.12	1.08	1.11	1.15	1.18	1.17	1.16	1.15	1.09
Somerset	3.03	3.01	3.03	2.99	2.77	2.97	2.93	3.02	2.78	2.98
Talbot	0.29	0.32	0.27	0.36	0.36	0.31	0.31	0.27	0.27	0.27
Washington	1.13	1.08	1.03	1.02	1.04	1.10	1.20	1.27	1.29	1.30
Wicomico	1.25	1.18	1.24	1.25	1.27	1.27	1.33	1.41	1.47	1.55
Worcester	0.29	0.29	0.28	0.33	0.34	0.35	0.36	0.34	0.32	0.32
<b>Total (Weighted Avg.)</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>
<b>County Mean (Simple Avg.)</b>	<b>1.32</b>	<b>1.29</b>	<b>1.28</b>	<b>1.28</b>	<b>1.26</b>	<b>1.28</b>	<b>1.28</b>	<b>1.28</b>	<b>1.27</b>	<b>1.27</b>
<b>Standard Deviation</b>	<b>0.79</b>	<b>0.77</b>	<b>0.78</b>	<b>0.76</b>	<b>0.71</b>	<b>0.73</b>	<b>0.74</b>	<b>0.75</b>	<b>0.73</b>	<b>0.74</b>

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

Source: Department of Legislative Services

**Exhibit 1.7**  
**State Financial Assistance Received as a Percent of the Statewide Average**  
**Direct Aid and Payments-on-behalf**

County	10 Fiscal Year Summary									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Allegany	1.75	1.79	1.84	1.86	1.84	1.99	2.06	2.09	2.05	2.04
Anne Arundel	0.71	0.71	0.67	0.64	0.64	0.62	0.63	0.61	0.59	0.59
Baltimore City	2.68	2.70	2.73	2.67	2.61	2.60	2.57	2.50	2.47	2.40
Baltimore	0.67	0.68	0.68	0.69	0.70	0.70	0.71	0.71	0.73	0.73
Calvert	1.23	1.26	1.26	1.29	1.29	1.30	1.27	1.26	1.19	1.19
Caroline	2.75	2.65	2.70	2.64	2.50	2.47	2.64	2.62	2.67	2.59
Carroll	1.11	1.01	1.00	0.99	1.02	1.02	1.03	1.01	1.00	0.99
Cecil	1.79	1.77	1.73	1.71	1.74	1.78	1.75	1.75	1.71	1.68
Charles	1.13	1.13	1.09	1.12	1.16	1.20	1.23	1.22	1.18	1.16
Dorchester	1.87	1.81	1.70	1.69	1.61	1.66	1.57	1.64	1.67	1.64
Frederick	0.94	0.89	0.87	0.89	0.91	0.94	0.95	1.00	1.03	1.03
Garrett	2.03	1.93	1.83	1.80	1.64	1.56	1.55	1.44	1.40	1.41
Harford	1.11	1.08	1.05	1.07	1.07	1.10	1.13	1.11	1.10	1.07
Howard	0.65	0.66	0.64	0.68	0.68	0.67	0.67	0.69	0.70	0.70
Kent	0.94	0.98	0.97	0.87	0.81	0.81	0.71	0.60	0.66	0.70
Montgomery	0.44	0.47	0.48	0.50	0.48	0.45	0.45	0.46	0.48	0.53
Prince George's	1.33	1.33	1.38	1.38	1.42	1.50	1.52	1.53	1.45	1.41
Queen Anne's	0.94	0.78	0.86	0.83	0.78	0.80	0.78	0.78	0.81	0.78
St. Mary's	1.21	1.11	1.08	1.11	1.15	1.17	1.16	1.16	1.14	1.08
Somerset	2.88	2.87	2.88	2.84	2.65	2.83	2.79	2.86	2.63	2.77
Talbot	0.33	0.35	0.30	0.38	0.37	0.33	0.32	0.28	0.29	0.29
Washington	1.12	1.07	1.03	0.91	1.04	1.09	1.18	1.25	1.26	1.27
Wicomico	1.24	1.17	1.23	1.25	1.26	1.27	1.33	1.40	1.46	1.52
Worcester	0.33	0.32	0.32	0.35	0.36	0.36	0.37	0.36	0.34	0.36
<b>Total (Weighted Avg.)</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>
<b>County Mean (Simple Avg.)</b>	<b>1.30</b>	<b>1.27</b>	<b>1.26</b>	<b>1.26</b>	<b>1.24</b>	<b>1.26</b>	<b>1.27</b>	<b>1.26</b>	<b>1.25</b>	<b>1.25</b>
<b>Standard Deviation</b>	<b>0.73</b>	<b>0.72</b>	<b>0.72</b>	<b>0.70</b>	<b>0.70</b>	<b>0.69</b>	<b>0.70</b>	<b>0.71</b>	<b>0.68</b>	<b>0.68</b>

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

Source: Department of Legislative Services

**Exhibit 1.8**  
**Comparison of State Tax Revenues and State Aid – Fiscal 2010**

County	<i>Share of Population</i>			<i>Share of State Tax Revenues</i>			<i>Share of State Grants</i>		
	Population	Percent of Total	Ranking	State Tax Revenues	Percent of Total	Ranking	State Grants	Percent of Total	Ranking
Allegany	72,532	1.3%	16	\$117,149,843	0.9%	18	\$111,186,580	1.8%	14
Anne Arundel	521,209	9.1%	5	1,401,838,788	10.5%	4	383,174,591	6.2%	5
Baltimore City	637,418	11.2%	4	1,072,343,530	8.1%	5	1,195,764,509	19.3%	1
Baltimore	789,814	13.9%	3	1,939,385,136	14.6%	2	657,763,971	10.6%	4
Calvert	89,212	1.6%	15	191,376,334	1.4%	14	105,685,300	1.7%	16
Caroline	33,367	0.6%	20	43,329,421	0.3%	22	52,277,480	0.8%	17
Carroll	170,089	3.0%	9	384,919,388	2.9%	9	177,579,757	2.9%	10
Cecil	100,796	1.8%	13	152,598,865	1.1%	16	119,203,074	1.9%	13
Charles	142,226	2.5%	11	338,935,163	2.5%	10	182,536,006	3.0%	9
Dorchester	32,043	0.6%	21	51,748,430	0.4%	21	39,522,363	0.6%	19
Frederick	227,980	4.0%	8	528,776,820	4.0%	7	252,542,735	4.1%	8
Garrett	29,555	0.5%	22	55,147,916	0.4%	20	36,118,881	0.6%	20
Harford	242,514	4.3%	7	519,819,761	3.9%	8	258,211,768	4.2%	7
Howard	281,884	4.9%	6	830,813,470	6.2%	6	271,405,178	4.4%	6
Kent	20,247	0.4%	24	42,192,975	0.3%	23	13,811,627	0.2%	24
Montgomery	971,600	17.0%	1	2,820,355,854	21.2%	1	692,819,810	11.2%	3
Prince George's	834,560	14.6%	2	1,676,240,419	12.6%	3	1,099,637,927	17.8%	2
Queen Anne's	47,958	0.8%	18	109,419,195	0.8%	19	39,524,717	0.6%	18
St. Mary's	102,999	1.8%	12	220,440,130	1.7%	12	111,069,388	1.8%	15
Somerset	25,959	0.5%	23	25,892,609	0.2%	24	33,353,039	0.5%	21
Talbot	36,262	0.6%	19	125,458,923	0.9%	17	16,848,544	0.3%	23
Washington	145,910	2.6%	10	287,226,785	2.2%	11	170,280,497	2.8%	11
Wicomico	94,222	1.7%	14	195,204,358	1.5%	13	137,763,208	2.2%	12
Worcester	49,122	0.9%	17	170,337,750	1.3%	15	28,237,482	0.5%	22
<b>Total</b>	<b>5,699,478</b>	<b>100.0%</b>		<b>\$13,300,951,862</b>	<b>100.0%</b>		<b>\$6,186,318,432</b>	<b>100.0%</b>	

Source: Department of Legislative Services

**Exhibit 1.9**  
**Per Capita Allocation of State Tax Revenues and State Aid – Fiscal 2010**

County	Population	<i>Allocation of State Tax Revenues</i>			<i>State Grants to Local Governments</i>		
		Total Revenues	Per Capita Amount	Ranking	Total State Grants	Per Capita Amount	Ranking
Allegany	72,532	\$117,149,843	\$1,615	20	\$111,186,580	\$1,533	3
Anne Arundel	521,209	1,401,838,788	2,690	5	383,174,591	735	20
Baltimore City	637,418	1,072,343,530	1,682	19	1,195,764,509	1,876	1
Baltimore	789,814	1,939,385,136	2,455	6	657,763,971	833	18
Calvert	89,212	191,376,334	2,145	11	105,685,300	1,185	10
Caroline	33,367	43,329,421	1,299	23	52,277,480	1,567	2
Carroll	170,089	384,919,388	2,263	10	177,579,757	1,044	16
Cecil	100,796	152,598,865	1,514	22	119,203,074	1,183	11
Charles	142,226	338,935,163	2,383	7	182,536,006	1,283	7
Dorchester	32,043	51,748,430	1,615	21	39,522,363	1,233	8
Frederick	227,980	528,776,820	2,319	8	252,542,735	1,108	13
Garrett	29,555	55,147,916	1,866	18	36,118,881	1,222	9
Harford	242,514	519,819,761	2,143	12	258,211,768	1,065	15
Howard	281,884	830,813,470	2,947	3	271,405,178	963	17
Kent	20,247	42,192,975	2,084	14	13,811,627	682	22
Montgomery	971,600	2,820,355,854	2,903	4	692,819,810	713	21
Prince George's	834,560	1,676,240,419	2,009	16	1,099,637,927	1,318	5
Queen Anne's	47,958	109,419,195	2,282	9	39,524,717	824	19
St. Mary's	102,999	220,440,130	2,140	13	111,069,388	1,078	14
Somerset	25,959	25,892,609	997	24	33,353,039	1,285	6
Talbot	36,262	125,458,923	3,460	2	16,848,544	465	24
Washington	145,910	287,226,785	1,969	17	170,280,497	1,167	12
Wicomico	94,222	195,204,358	2,072	15	137,763,208	1,462	4
Worcester	49,122	170,337,750	3,468	1	28,237,482	575	23
<b>Total</b>	<b>5,699,478</b>	<b>\$13,300,951,862</b>	<b>\$2,334</b>		<b>\$6,186,318,432</b>	<b>\$1,085</b>	

Source: Department of Legislative Services



## Chapter 2. State Aid to Local Governments

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### Introduction

State aid is a major revenue source for local governments in Maryland, totaling \$6.4 billion in fiscal 2010. 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 2010, nearly 88% of State aid went to support local school systems with county and municipal governments receiving 6.3% of the aid. Local school systems received \$5.5 billion in State operational grants in fiscal 2010, while county and municipal governments received \$397.2 million. The remaining 5.8% was distributed to local libraries, community colleges, and local health departments. These entities received \$357.3 million in fiscal 2010. In addition, the State assumption of functions in Baltimore City has increased from \$99.3 million in fiscal 2000 to \$167.5 million in fiscal 2010. **Exhibit 2.1** compares the allocation of State aid by governmental entity in fiscal 2000 and 2010.

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

<b>Entity</b>	<b>FY 2000</b>	<b>Percent of Total</b>	<b>FY 2010</b>	<b>Percent of Total</b>
Public Schools	\$2,605.7	75.5%	\$5,506.3	87.9%
County/Municipal	617.2	17.9%	397.2	6.3%
Community Colleges	141.4	4.1%	256.2	4.1%
Health	48.4	1.4%	37.3	0.6%
Libraries	37.6	1.1%	63.9	1.0%
<b>Subtotal</b>	<b>\$3,450.3</b>	<b>100.0%</b>	<b>\$6,260.9</b>	<b>100.0%</b>
Assumed Functions	99.3		167.5	
<b>Total</b>	<b>\$3,549.6</b>		<b>\$6,428.4</b>	

Source: Department of Legislative Services

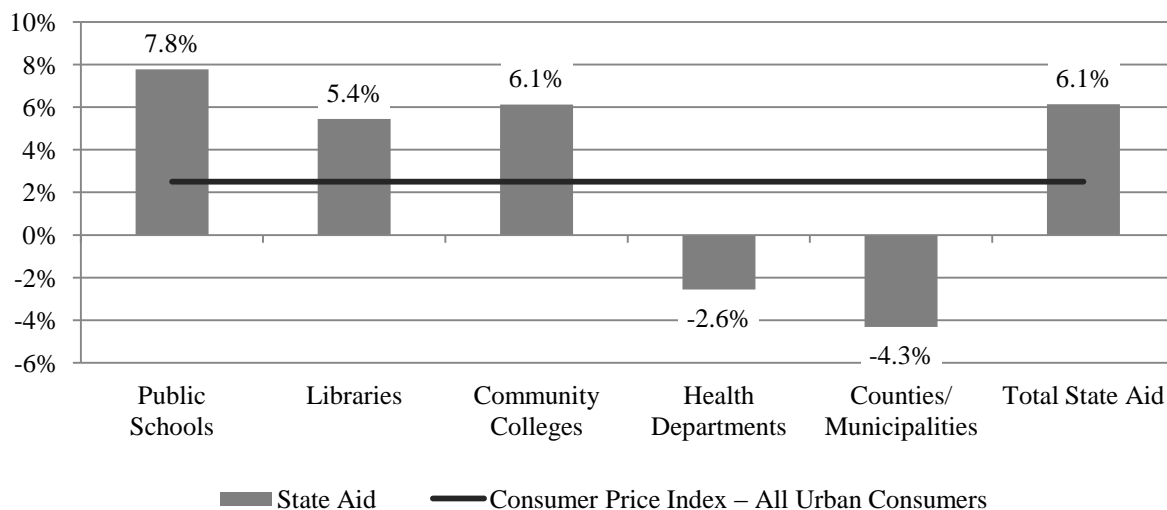
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## Change in State Aid

Over the last 10 years, State aid to local governments has increased by \$2.8 billion, which represents a 6.1% average annual increase as shown in **Exhibit 2.2**. Much of the increase is attributable to the implementation of the Bridge to Excellence in Public Schools Act that was passed at the 2002 session. The legislation simplified the State's school financing structure by eliminating a large number of small categorical aid programs, while significantly increasing overall financial support for public schools. Under the new formulas, the vast majority of State aid is allocated to local school systems based on student enrollments and local wealth. Full implementation of the Bridge to Excellence in Public Schools Act occurred in fiscal 2008.

**Exhibit 2.2**  
**Average Annual Increases in State Aid to Local Governments**  
**Fiscal 2000-2010**



## Reliance on State Aid

State aid is the largest revenue source for most county governments in Maryland, representing 27.9% of total county revenues. In Anne Arundel, Baltimore, Calvert, Frederick, Garrett, Howard, Kent, Queen Anne's, Talbot, and Worcester counties, State aid is the second largest revenue source after property taxes; while in Montgomery County, 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 17.0% of total revenues in Montgomery County but reaches 53.6% in Caroline County.

State aid is the fourth largest revenue source for municipalities, representing 5.3% of total revenues. As with counties, the reliance on State aid varies for municipalities, ranging from 2.0% of total revenues for municipalities in Talbot County to 24.6% for municipalities in Somerset County, where State aid is the second largest revenue source.

### **State Assumed Functions in Baltimore City**

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

#### **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 Baltimore City Central Booking and Intake Facility originally opened in fiscal 1996. The State spent approximately \$80.8 million in fiscal 2010 to operate the Baltimore City Detention Center and \$46.6 million to operate the Baltimore City Central Booking and Intake Facility. To partially offset the costs to operate these two facilities, State funding for Baltimore City under the police aid formula was discontinued; however, legislation enacted in 1996 provided a small grant to Baltimore City under the police aid formula beginning in fiscal 1997.

#### **Baltimore City Community College**

Community colleges are considered units of local government. Generally, the State makes financial contributions to local community colleges through several formula grants. Statewide in fiscal 2010, local community colleges received 22.4% of their operating funding from the State and 28.9% from county governments. In Baltimore City, the local community college is operated and funded by the State. Legislation enacted in 1990 established the city's community college as a State agency beginning in fiscal 1991. State funding for the Baltimore City Community College totaled \$40.2 million in fiscal 2010.

## Allocation of State Financial Assistance

State financial assistance reported in *The Balance Sheet* for fiscal 2010 totals \$6.2 billion representing \$5.2 billion in direct State grants, \$803.4 million in retirement payments made by the State on behalf of the counties, and \$167.5 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 2.9% of total State aid to local governments in fiscal 2010. This percentage is low relative to recent prior years, due primarily to a significant reduction in highway user revenues to local governments in fiscal 2010. **Exhibit 2.3** shows the programs and the amount of State aid excluded from *The Balance Sheet* analysis. **Exhibit 2.4** compares total State aid in fiscal 2010 with the amount of State aid allocated to the counties in *The Balance Sheet* analysis.

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

	<u>FY 2000</u>	<u>FY 2005</u>	<u>FY 2010</u>
Highway User Revenues	\$414.4	\$456.1	\$163.5
Elderly/Disabled Transportation	2.9	3.9	4.3
Para-transit Services	3.3	2.7	3.2
911 Emergency Communications	1.6	13.2	14.1
Vehicle Theft Prevention	2.3	2.0	1.4
<b>Total</b>	<b>\$424.5</b>	<b>\$477.9</b>	<b>\$186.5</b>
Percent of State Aid	12.0%	9.8%	2.9%

Source: Department of Legislative Services

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**Exhibit 2.4**  
**Comparison of Total State Aid with the**  
**Amount of State Aid Allocated in *The Balance Sheet***  
**Fiscal 2010**

County	Total State Aid		State Aid in Balance Sheet		Percent of Total State Aid
	Amount	Per Capita	Amount	Per Capita	
Allegany	\$112,155,767	\$1,546	\$111,186,580	\$1,533	99.1%
Anne Arundel	386,643,925	742	383,174,591	735	99.1%
Baltimore City	1,332,637,263	2,091	1,195,764,509	1,876	89.7%
Baltimore	664,559,752	841	657,763,971	833	99.0%
Calvert	107,340,035	1,203	105,685,300	1,185	98.5%
Caroline	52,895,170	1,585	52,277,480	1,567	98.8%
Carroll	180,076,874	1,059	177,579,757	1,044	98.6%
Cecil	120,106,626	1,192	119,203,074	1,183	99.2%
Charles	183,823,201	1,292	182,536,006	1,283	99.3%
Dorchester	41,010,587	1,280	39,522,363	1,233	96.4%
Frederick	254,514,596	1,116	252,542,735	1,108	99.2%
Garrett	36,800,821	1,245	36,118,881	1,222	98.1%
Harford	261,863,706	1,080	258,211,768	1,065	98.6%
Howard	273,931,607	972	271,405,178	963	99.1%
Kent	14,272,672	705	13,811,627	682	96.8%
Montgomery	698,268,683	719	692,819,810	713	99.2%
Prince George's	1,105,478,340	1,325	1,099,637,927	1,318	99.5%
Queen Anne's	40,941,718	854	39,524,717	824	96.5%
St. Mary's	112,203,671	1,089	111,069,388	1,078	99.0%
Somerset	34,171,956	1,316	33,353,039	1,285	97.6%
Talbot	17,490,715	482	16,848,544	465	96.3%
Washington	171,890,156	1,178	170,280,497	1,167	99.1%
Wicomico	138,985,818	1,475	137,763,208	1,462	99.1%
Worcester	30,699,461	625	28,237,482	575	92.0%
Unallocated	55,636,845	10	0	0	0.0%
<b>Total</b>	<b>\$6,428,399,965</b>	<b>\$1,128</b>	<b>\$6,186,318,432</b>	<b>\$1,085</b>	<b>96.2%</b>

Source: Department of Legislative Services

In fiscal 2010, 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 \$1,876 for Baltimore City (the greatest per capita amount for any jurisdiction) and \$1,318 for Prince George's County. Kent and Talbot counties, on the other hand, received the least amount of State aid at \$13.8 million and \$16.8 million, respectively. On a per capita basis, Kent County received \$682 while Talbot County received \$465 – the least amount per capita for any jurisdiction. **Exhibit 2.5** shows the allocation of State aid by government entity, while **Exhibit 2.6** provides the allocation on a per capita basis by county.

**Exhibit 2.5**  
**Direct State Aid and Payments-on-behalf**  
**Fiscal 2010**

<b>County</b>	<b>Education</b>	<b>Libraries</b>	<b>Community Colleges</b>	<b>Health</b>	<b>County/ Municipal</b>	<b>Retirement Payments</b>	<b>Assumed Functions</b>	<b>Total</b>
Allegany	\$86,013,217	\$769,848	\$5,939,128	\$908,719	\$8,195,268	\$9,360,400	\$0	\$111,186,580
Anne Arundel	275,287,999	1,834,957	29,797,771	3,141,951	6,248,346	66,863,567	0	383,174,591
Baltimore City	842,249,828	6,546,926	0	6,675,053	97,216,873	75,531,883	167,543,946	1,195,764,509
Baltimore	510,902,372	5,245,858	36,467,567	4,302,255	8,357,733	92,488,186	0	657,763,971
Calvert	86,230,613	397,822	2,173,673	369,812	788,904	15,724,476	0	105,685,300
Caroline	42,683,986	273,155	1,408,823	538,253	2,611,117	4,762,146	0	52,277,480
Carroll	141,492,939	981,585	7,697,223	1,231,995	1,503,086	24,672,929	0	177,579,757
Cecil	97,524,895	704,443	5,260,606	806,392	932,322	13,974,416	0	119,203,074
Charles	149,974,013	794,705	6,887,610	994,528	1,205,102	22,680,048	0	182,536,006
Dorchester	30,865,723	241,817	1,277,061	428,709	2,542,815	4,166,238	0	39,522,363
Frederick	204,549,889	1,099,030	8,619,011	1,512,159	2,039,404	34,723,242	0	252,542,735
Garrett	25,386,608	155,201	3,423,925	437,403	2,540,842	4,174,902	0	36,118,881
Harford	207,940,409	1,548,757	10,466,913	1,737,473	2,417,028	34,101,188	0	258,211,768
Howard	197,789,454	766,273	13,988,458	1,215,070	3,133,313	54,512,610	0	271,405,178
Kent	10,198,820	94,428	564,015	335,941	364,993	2,253,430	0	13,811,627
Montgomery	472,603,900	2,606,276	42,459,870	3,014,680	12,246,121	159,888,963	0	692,819,810
Prince George's	906,539,564	5,962,377	23,655,302	5,007,057	39,280,063	119,193,564	0	1,099,637,927
Queen Anne's	30,814,469	126,847	1,584,854	417,744	502,646	6,078,157	0	39,524,717
St. Mary's	92,868,250	629,266	2,342,540	808,576	861,795	13,558,961	0	111,069,388
Somerset	23,744,985	261,011	726,957	429,385	5,324,863	2,865,838	0	33,353,039
Talbot	11,056,397	101,340	1,253,054	328,705	556,934	3,552,114	0	16,848,544
Washington	140,701,042	1,116,732	7,926,738	1,381,306	1,336,041	17,818,638	0	170,280,497
Wicomico	115,231,224	821,545	4,611,975	947,374	3,214,290	12,936,800	0	137,763,208
Worcester	17,623,510	138,247	1,842,027	312,944	824,344	7,496,410	0	28,237,482
<b>Total</b>	<b>\$4,720,274,106</b>	<b>\$33,218,446</b>	<b>\$220,375,101</b>	<b>\$37,283,484</b>	<b>\$204,244,243</b>	<b>\$803,379,106</b>	<b>\$167,543,946</b>	<b>\$6,186,318,432</b>

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

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

Source: Department of Legislative Services

**Exhibit 2.6**  
**Per Capita Direct State Aid and Payments-on-behalf**  
**Fiscal 2010**

County	Education	Libraries	Community Colleges	Health	County/ Municipal	Retirement Payments	Assumed Functions	Total
Allegany	\$1,186	\$11	\$82	\$13	\$113	\$129	\$0	\$1,533
Anne Arundel	528	4	57	6	12	128	0	735
Baltimore City	1,321	10	0	10	153	118	263	1,876
Baltimore	647	7	46	5	11	117	0	833
Calvert	967	4	24	4	9	176	0	1,185
Caroline	1,279	8	42	16	78	143	0	1,567
Carroll	832	6	45	7	9	145	0	1,044
Cecil	968	7	52	8	9	139	0	1,183
Charles	1,054	6	48	7	8	159	0	1,283
Dorchester	963	8	40	13	79	130	0	1,233
Frederick	897	5	38	7	9	152	0	1,108
Garrett	859	5	116	15	86	141	0	1,222
Harford	857	6	43	7	10	141	0	1,065
Howard	702	3	50	4	11	193	0	963
Kent	504	5	28	17	18	111	0	682
Montgomery	486	3	44	3	13	165	0	713
Prince George's	1,086	7	28	6	47	143	0	1,318
Queen Anne's	643	3	33	9	10	127	0	824
St. Mary's	902	6	23	8	8	132	0	1,078
Somerset	915	10	28	17	205	110	0	1,285
Talbot	305	3	35	9	15	98	0	465
Washington	964	8	54	9	9	122	0	1,167
Wicomico	1,223	9	49	10	34	137	0	1,462
Worcester	359	3	37	6	17	153	0	575
<b>Total</b>	<b>\$828</b>	<b>\$6</b>	<b>\$39</b>	<b>\$7</b>	<b>\$36</b>	<b>\$141</b>	<b>\$29</b>	<b>\$1,085</b>

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

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

Source: Department of Legislative Services



# Chapter 3. Allocation of State Revenues

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## Introduction

*The Balance Sheet* analysis accounts for a majority of State tax revenues. State tax revenues allocated to local governments total \$13.3 billion in fiscal 2010. Major State tax revenues excluded from this analysis include motor vehicle fuel taxes, titling taxes, and corporate income taxes accruing to the Transportation Trust Fund. Point-of-collection data is currently unavailable for these revenue sources.

## Revenue Allocation

*The Balance Sheet* allocates State tax revenues among local governments based on five methods: point of collection, county sales, population, utility revenues, and vehicle registration. As shown in **Exhibit 3.1**, most revenues (income, sales, property, transfer, and death taxes) are reported at the point of collection on a county-by-county basis. In the event that point-of-collection revenue data by county is not available, revenues are allocated using county-by-county receipts, sales, or population. Revenues from the tax on gross receipts of utilities are allocated on the basis of revenues earned by utility companies in each county. Revenues from beer, wine, and liquor taxes and the State lottery are allocated on the basis of sales. The corporate income tax, tobacco tax, insurance tax, abandoned property revenues, corporate filing fees, horse racing tax, 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 2010, and **Exhibit 3.3** shows the per capita allocation of selected tax revenues by county.

The largest single revenue component allocated for this report is the individual income tax at \$6.2 billion or 46.6% of total allocated revenue. The amount of allocated taxes on a per capita basis varies widely as illustrated in Exhibit 3.3. Worcester County generates the greatest amount of State revenues at \$3,468 per resident followed by Talbot County at \$3,460 per resident. Howard and Montgomery counties are the next leading counties in terms of per capita revenue collections. In comparison, Somerset County generates the least State revenues at \$997 per resident. In terms of the individual income tax, Montgomery County generates the most per capita at \$1,674 followed by Howard County at \$1,659 per resident. In comparison, Somerset County contributes the least per capita at \$362 while Baltimore City and Caroline County generate \$550 and \$551, respectively, per resident.

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

<b>Allocation Basis</b>	<b>Percent of Total Taxes Allocated</b>		
<b>Point of Collection</b>	<b><u>Fiscal 2000</u></b>	<b><u>Fiscal 2005</u></b>	<b><u>Fiscal 2010</u></b>
Individual Income Tax	52.0%	47.7%	46.6%
Sales Tax	27.6%	26.8%	28.4%
Property Tax	2.8%	4.4%	5.9%
Transfer Tax	1.1%	2.0%	0.9%
Death Taxes	1.9%	1.6%	1.5%
<b>Subtotal</b>	<b>85.4%</b>	<b>82.5%</b>	<b>83.3%</b>
<b>County Sales</b>			
Net Lottery Receipts	4.0%	3.8%	3.7%
Liquor Tax	0.1%	0.1%	0.1%
Beer Tax	0.1%	0.1%	0.1%
Wine Tax	0.0%	< 0.1%	< 0.1%
<b>Subtotal</b>	<b>4.3%</b>	<b>4.0%</b>	<b>3.9%</b>
<b>Utility Revenues</b>			
Gross Receipts Tax	<b>1.7%</b>	<b>1.1%</b>	<b>0.9%</b>
<b>Population</b>			
Corporate Income Tax	3.5%	5.6%	5.2%
Tobacco Tax	2.3%	2.3%	3.1%
Insurance Tax	1.9%	2.0%	2.1%
Abandoned Property	0.3%	1.3%	0.6%
Corporate Filing Fees	0.1%	0.5%	0.6%
Horse Racing Tax	0.0%	< 0.1%	< 0.1%
Net Earnings Tax	0.1%	0.0%	< 0.1%
<b>Subtotal</b>	<b>8.3%</b>	<b>11.8%</b>	<b>11.5%</b>
<b>Vehicle Registration</b>			
Medevac Surcharge	<b>0.4%</b>	<b>0.4%</b>	<b>0.4%</b>
<b>Total Taxes Allocated</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Department of Legislative Services

**Exhibit 3.2**  
**Allocation of State Revenues – Fiscal 2010**

<b>County</b>	<b>Individual Income Tax</b>	<b>Corporate Income Tax</b>	<b>Gross Receipts Tax</b>	<b>Net Earnings Tax</b>	<b>Sales Tax</b>	<b>Insurance Tax</b>	<b>Transfer Tax</b>
Allegany	\$41,753,819	\$8,786,022	\$1,803,102	\$60	\$44,606,555	\$3,522,252	\$445,702
Anne Arundel	671,717,138	63,135,631	11,690,000	434	401,291,933	25,310,611	12,701,557
Baltimore City	350,851,043	77,212,381	14,440,638	531	370,267,881	30,953,876	6,880,551
Baltimore	883,721,612	95,672,572	17,776,298	657	595,463,676	38,354,431	11,767,992
Calvert	102,841,884	10,806,521	1,458,165	74	36,977,454	4,332,255	1,735,445
Caroline	18,397,556	4,041,846	779,245	28	7,964,036	1,620,346	389,609
Carroll	184,553,274	20,603,398	3,109,527	142	107,892,737	8,259,751	2,676,022
Cecil	60,973,287	12,209,726	2,237,946	84	38,758,069	4,894,789	1,513,314
Charles	144,601,980	17,228,268	2,533,978	118	110,804,989	6,906,686	2,895,535
Dorchester	18,201,024	3,881,466	865,385	27	15,404,521	1,556,051	670,574
Frederick	263,728,236	27,615,911	6,318,991	190	141,292,765	11,071,016	5,478,776
Garrett	18,165,524	3,580,087	715,348	25	20,210,757	1,435,231	740,431
Harford	255,655,055	29,376,458	4,763,438	202	130,375,519	11,776,806	4,806,015
Howard	467,505,052	34,145,466	6,437,688	235	198,227,017	13,688,667	9,217,292
Kent	14,591,823	2,452,581	432,796	17	14,158,280	983,222	450,067
Montgomery	1,626,389,998	117,692,863	20,739,921	809	587,795,486	47,182,204	30,092,839
Prince George's	651,310,505	101,092,791	17,217,766	695	554,158,065	40,527,357	17,684,927
Queen Anne's	51,480,630	5,809,298	918,018	40	24,555,698	2,328,905	1,224,570
St. Mary's	108,204,760	12,476,582	1,773,653	86	52,983,375	5,001,770	1,789,421
Somerset	9,391,576	3,144,493	419,204	22	3,958,265	1,260,604	246,180
Talbot	46,830,959	4,392,526	584,469	30	42,029,825	1,760,932	1,453,013
Washington	107,063,441	17,674,522	2,807,351	121	110,090,405	7,085,586	1,668,340
Wicomico	59,717,243	11,413,397	2,351,855	78	84,401,024	4,575,547	1,192,464
Worcester	40,906,304	5,950,297	1,894,333	41	79,197,008	2,385,430	3,219,258
<b>Total</b>	<b>\$6,198,553,720</b>	<b>\$690,395,102</b>	<b>\$124,069,113</b>	<b>\$4,744</b>	<b>\$3,772,865,339</b>	<b>\$276,774,325</b>	<b>\$120,939,895</b>

**Exhibit 3.2 (continued)**  
**Allocation of State Revenues – Fiscal 2010**

<b>County</b>	<b>Death Taxes</b>	<b>Liquor Tax</b>	<b>Beer Tax</b>	<b>Wine Tax</b>	<b>Tobacco Tax</b>	<b>Horse Racing Tax</b>	<b>Net Lottery Receipts</b>
Allegany	\$769,337	\$188,766	\$169,908	\$39,370	\$5,169,841	\$48,176	\$3,082,956
Anne Arundel	20,125,467	1,635,260	1,025,174	819,496	37,150,052	346,189	50,062,474
Baltimore City	11,741,270	2,048,349	1,140,167	534,533	45,433,045	423,375	86,485,974
Baltimore	39,022,035	2,105,966	1,219,082	839,202	56,295,328	524,597	80,231,956
Calvert	2,470,821	238,473	166,096	91,255	6,358,736	59,255	6,743,414
Caroline	1,063,191	66,965	64,084	15,747	2,378,289	22,162	2,053,171
Carroll	6,672,071	366,140	302,069	165,070	12,123,381	112,974	9,857,840
Cecil	1,352,424	1,038,098	261,909	134,575	7,184,405	66,949	6,148,076
Charles	2,590,269	446,633	225,837	93,120	10,137,399	94,467	15,737,558
Dorchester	1,505,019	79,431	67,393	24,287	2,283,919	21,283	2,468,103
Frederick	4,361,491	549,046	383,200	227,314	16,249,660	151,425	10,377,467
Garrett	383,857	96,820	73,178	28,378	2,106,583	19,631	948,609
Harford	9,065,293	505,899	396,438	219,612	17,285,595	161,079	17,369,096
Howard	6,170,277	584,554	345,234	325,215	20,091,759	187,228	13,460,125
Kent	2,026,384	66,277	44,357	30,683	1,443,139	13,448	1,214,089
Montgomery	47,221,007	1,433,717	887,532	967,329	69,252,432	645,340	47,846,388
Prince George's	8,012,473	2,236,909	1,195,905	525,706	59,484,674	554,318	98,678,241
Queen Anne's	4,953,441	137,834	110,454	67,653	3,418,288	31,854	3,257,861
St. Mary's	3,129,439	232,152	185,668	72,634	7,341,428	68,412	10,292,574
Somerset	637,068	44,860	36,692	11,325	1,850,272	17,242	1,838,584
Talbot	11,254,750	130,313	69,860	87,090	2,584,635	24,085	2,435,189
Washington	2,262,417	395,597	294,846	94,405	10,399,982	96,914	7,432,029
Wicomico	7,138,669	161,135	192,613	77,578	6,715,832	62,583	5,863,373
Worcester	2,262,050	364,004	262,981	108,411	3,501,254	32,627	7,123,852
<b>Total</b>	<b>\$196,190,520</b>	<b>\$15,153,199</b>	<b>\$9,120,678</b>	<b>\$5,599,988</b>	<b>\$406,239,927</b>	<b>\$3,785,613</b>	<b>\$491,009,000</b>

**Exhibit 3.2 (continued)**  
**Allocation of State Revenues – Fiscal 2010**

<b>County</b>	<b>Domestic Corporation Filing Fees</b>	<b>Medevac Surcharge</b>	<b>Abandoned Property</b>	<b>Subtotal</b>	<b>Property Tax</b>	<b>Total</b>
Allegany	\$983,239	\$680,426	\$948,001	\$112,997,530	\$4,152,313	\$117,149,843
Anne Arundel	7,065,472	5,633,908	6,812,255	1,316,523,052	85,315,736	1,401,838,788
Baltimore City	8,640,793	3,005,487	8,331,118	1,018,391,012	53,952,518	1,072,343,530
Baltimore	10,706,663	7,223,784	10,322,949	1,851,248,800	88,136,336	1,939,385,136
Calvert	1,209,352	979,772	1,166,010	177,634,982	13,741,352	191,376,334
Caroline	452,321	402,101	436,110	40,146,807	3,182,614	43,329,421
Carroll	2,305,714	1,899,733	2,223,080	363,122,924	21,796,464	384,919,388
Cecil	1,366,383	1,007,077	1,317,414	140,464,528	12,134,337	152,598,865
Charles	1,928,006	1,475,679	1,858,908	319,559,429	19,375,734	338,935,163
Dorchester	434,373	347,406	418,805	48,229,067	3,519,363	51,748,430
Frederick	3,090,481	2,423,427	2,979,722	496,299,117	32,477,703	528,776,820
Garrett	400,645	361,759	386,287	49,653,149	5,494,767	55,147,916
Harford	3,287,503	2,531,843	3,169,683	490,745,533	29,074,228	519,819,761
Howard	3,821,200	2,650,032	3,684,252	780,541,293	50,272,177	830,813,470
Kent	274,467	229,955	264,630	38,676,214	3,516,761	42,192,975
Montgomery	13,170,941	7,894,662	12,698,911	2,631,912,377	188,443,477	2,820,355,854
Prince George's	11,313,236	6,718,790	10,907,784	1,581,620,143	94,620,276	1,676,240,419
Queen Anne's	650,115	584,072	626,816	100,155,547	9,263,648	109,419,195
St. Mary's	1,396,247	1,095,489	1,346,207	207,389,896	13,050,234	220,440,130
Somerset	351,898	225,214	339,287	23,772,785	2,119,824	25,892,609
Talbot	491,565	457,235	473,948	115,060,425	10,398,498	125,458,923
Washington	1,977,946	1,479,725	1,907,059	272,730,686	14,496,099	287,226,785
Wicomico	1,277,267	980,693	1,231,491	187,352,841	7,851,517	195,204,358
Worcester	665,894	609,857	642,030	149,125,631	21,212,119	170,337,750
<b>Total</b>	<b>\$77,261,721</b>	<b>\$50,898,127</b>	<b>\$74,492,756</b>	<b>\$12,513,353,767</b>	<b>\$787,598,095</b>	<b>\$13,300,951,862</b>

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

**Exhibit 3.3**  
**Per Capita Allocation of Selected State Revenues – Fiscal 2010**

<b>County</b>	<b>Individual Income Tax</b>	<b>Sales Tax</b>	<b>Transfer Tax</b>	<b>Death Taxes</b>	<b>Net Lottery Receipts</b>	<b>Property Tax</b>	<b>All Allocated Taxes</b>
Allegany	\$576	\$615	\$6	\$11	\$43	\$57	\$1,615
Anne Arundel	1,289	770	24	39	96	164	2,690
Baltimore City	550	581	11	18	136	85	1,682
Baltimore	1,119	754	15	49	102	112	2,455
Calvert	1,153	414	19	28	76	154	2,145
Caroline	551	239	12	32	62	95	1,299
Carroll	1,085	634	16	39	58	128	2,263
Cecil	605	385	15	13	61	120	1,514
Charles	1,017	779	20	18	111	136	2,383
Dorchester	568	481	21	47	77	110	1,615
Frederick	1,157	620	24	19	46	142	2,319
Garrett	615	684	25	13	32	186	1,866
Harford	1,054	538	20	37	72	120	2,143
Howard	1,659	703	33	22	48	178	2,947
Kent	721	699	22	100	60	174	2,084
Montgomery	1,674	605	31	49	49	194	2,903
Prince George's	780	664	21	10	118	113	2,009
Queen Anne's	1,073	512	26	103	68	193	2,282
St. Mary's	1,051	514	17	30	100	127	2,140
Somerset	362	152	9	25	71	82	997
Talbot	1,291	1,159	40	310	67	287	3,460
Washington	734	755	11	16	51	99	1,969
Wicomico	634	896	13	76	62	83	2,072
Worcester	833	1,612	66	46	145	432	3,468
<b>Total</b>	<b>\$1,088</b>	<b>\$662</b>	<b>\$21</b>	<b>\$34</b>	<b>\$86</b>	<b>\$138</b>	<b>\$2,334</b>

Source: Department of Legislative Services

**Exhibit 3.4**  
**Local Wealth Calculation – Fiscal 2010**

<b>County</b>	<b>Population</b>	<b>Assessable Base</b>	<b>Income Base</b>	<b>Total Wealth Amount</b>	<b>Per Capita Wealth Amount</b>	<b>Ranking</b>
Allegany	72,532	\$1,351,300,400	\$869,688,748	\$2,220,989,148	\$30,621	24
Anne Arundel	521,209	33166236300	12,631,756,845	45,797,993,145	87,869	6
Baltimore City	637,418	13,968,656,900	7,210,529,515	21,179,186,415	33,227	23
Baltimore	789,814	33,134,006,300	17,574,540,954	50,708,547,254	64,203	14
Calvert	89,212	5,230,547,500	1,943,301,026	7,173,848,526	80,413	7
Caroline	33,367	1,164,152,400	443,746,259	1,607,898,659	48,188	20
Carroll	170,089	8,196,447,500	3,692,469,638	11,888,917,138	69,898	12
Cecil	100,796	4,248,018,800	1,694,035,877	5,942,054,677	58,951	16
Charles	142,226	7,544,091,200	2,644,184,318	10,188,275,518	71,634	11
Dorchester	32,043	1,313,330,500	435,399,092	1,748,729,592	54,574	18
Frederick	227,980	12,105,632,400	5,128,910,406	17,234,542,806	75,597	9
Garrett	29,555	1,769,949,000	390,209,865	2,160,158,865	73,089	10
Harford	242,514	10,613,572,400	5,055,220,162	15,668,792,562	64,610	13
Howard	281,884	19,232,265,700	8,291,895,237	27,524,160,937	97,644	4
Kent	20,247	1,175,048,600	367,711,304	1,542,759,904	76,197	8
Montgomery	971,600	75,271,257,900	28,615,849,205	103,887,107,105	106,924	3
Prince George's	834,560	35,764,718,200	12,367,633,178	48,132,351,378	57,674	17
Queen Anne's	47,958	3,381,577,900	1,036,865,844	4,418,443,744	92,132	5
St. Mary's	102,999	4,673,185,300	1,931,676,697	6,604,861,997	64,125	15
Somerset	25,959	662,795,500	222,725,749	885,521,249	34,112	22
Talbot	36,262	3,672,653,700	975,361,380	4,648,015,080	128,179	2
Washington	145,910	5,576,856,600	2,327,699,034	7,904,555,634	54,174	19
Wicomico	94,222	2,907,603,500	1,417,539,480	4,325,142,980	45,904	21
Worcester	49,122	8,204,626,700	951,311,437	9,155,938,137	186,392	1
<b>Total</b>	<b>5,699,478</b>	<b>\$294,328,531,200</b>	<b>\$118,220,261,250</b>	<b>\$412,548,792,450</b>	<b>\$72,384</b>	

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

Source: Department of Legislative Services

## Chapter 4. Comparability

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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.