The Balance Sheet

A Comparison of State Financial Assistance to State Tax Revenues Allocated to Local Governments Fiscal 2012

DEPARTMENT OF LEGISLATIVE SERVICES 2014

The Balance Sheet

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

Fiscal 2012

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

November 2014

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF POLICY ANALYSIS
MARYLAND GENERAL ASSEMBLY

Karl S. Aro
Executive Director

Warren G. Deschenaux
Director

November 2014

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 27% of all State-funded expenditures.

Each year the Department of Legislative Services prepares a *Balance Sheet* which features the distribution of State aid payments to local governments and the allocation of certain State tax revenues on a county-by-county basis. In this analysis, State aid has been aggregated for the county irrespective as to whether the State aid is provided to the county government, a municipal government, special taxing district, or to a local entity such as a board of education, library board, or community college board.

This report includes tables showing by 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 Stanford Ward and reviewed by Hiram Burch; the manuscript was prepared by Marsha Moore. 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/mm
cc: Mr. Karl S. Aro

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Executive Summary

The Balance Sheet provides a comparison of State revenues collected to State financial assistance received for each county. State financial assistance includes direct payments by the State to a local government as well as payments made by the State on behalf of a local government, such as teachers' retirement payments. State revenue collections represent most general fund tax revenues, certain special fund tax revenues, and lottery receipts allocated to counties, primarily by point of collection.

The Balance Sheet is not an analysis of the "fairness" of State aid distributions to local governments. Counties in which taxpayers contribute relatively more State revenues should not necessarily receive more State aid. In fact, several State aid formulas distribute aid inversely to local property and income wealth whereby local governments with greater capacity to raise revenues from local sources receive less State aid. Such aid programs accounted for about 70% of the State aid to local governments included in this *Balance Sheet*.

It is also important to note that State residents are subject to the same State tax rates regardless of the locality in which they reside. Jurisdictions that generate more State tax revenues per capita typically have a greater proportion of residents with higher incomes, or have a larger overall tax base.

In fiscal 2012, State revenue collections allocated in *The Balance Sheet* totaled $14.8 billion, while State aid payments to local governments totaled $6.5 billion. The individual income tax accounted for 48.1% of the State revenues allocated in the report while the sales tax accounted for 27.7% of revenues.

On average, local governments received $0.44 in State aid for each $1.00 in taxes paid by county residents and businesses. This illustrates that local governments received 44% 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 2003; ranging from a low of 37% in fiscal 2004, 2005, and 2006 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 4 jurisdictions, and remained relatively constant in 17 jurisdictions.

The ratios for 15 counties in fiscal 2012 matched or exceeded the statewide weighted average. State aid to revenue allocation ratios for Anne Arundel, Baltimore, Carroll, Howard, Kent, Montgomery, Queen Anne's, Talbot, and Worcester counties were below the statewide average. In terms of total State aid received as measured on a per capita basis, Anne Arundel, Baltimore, Kent, Montgomery, Talbot, and Worcester counties received the least amount of aid; whereas, Baltimore City and Allegany, Caroline, Charles, Somerset, and Wicomico counties received the most.

Chapter 1. Balance Sheet Index

Introduction

The Balance Sheet compares on a county-by-county basis State aid to State revenue collections as allocated among the counties. In fiscal 2012, State revenue collections allocated in *The Balance Sheet* totaled $14.8 billion, while State aid payments to local governments totaled $6.5 billion. This illustrates that local governments received approximately 44% 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 37% in fiscal 2004, 2005, and 2006 to a high of 47% in fiscal 2010. **Exhibit 1.1** summarizes the county-by-county tax revenues and State aid allocations for fiscal 2012.

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 0.79 for Allegany County in 2012 indicates that for every dollar of State tax revenues allocated to Allegany County, the county received $0.79 in direct State aid. The amount of direct grants received for each $1.00 of taxes paid in fiscal 2012 ranged from $0.11 in Talbot County to $1.28 in Somerset County. Statewide, the weighted average for this measure was $0.40, and the simple average (county mean) was $0.52. 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 2012 the county received $0.84 in State assistance for every $1.00 of State tax revenues allocated to the county. On this measure, State assistance received for each $1.00 of taxes paid in fiscal 2012 varied from $0.13 for Talbot County to $1.29 for Somerset County. Statewide, the weighted average was $0.44, and the simple average was $0.55.

Dividing each county's aid to revenue ratios by the statewide weighted averages indexes the county aid to revenue ratios to the statewide average. In fiscal 2012 for example, Allegany County's direct aid index is 1.98, indicating that Allegany County's ratio was 98% above the statewide average. Including payments-on-behalf lowers Allegany County's ratio to 1.93 or 93% 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 index 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 index 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 0.30. The standard deviation is useful in showing how the variation in the "balance sheet index" has changed over time. As illustrated in Exhibits 1.4 and 1.5, the variation among the counties has remained relatively stable over the 10-year period.

Findings

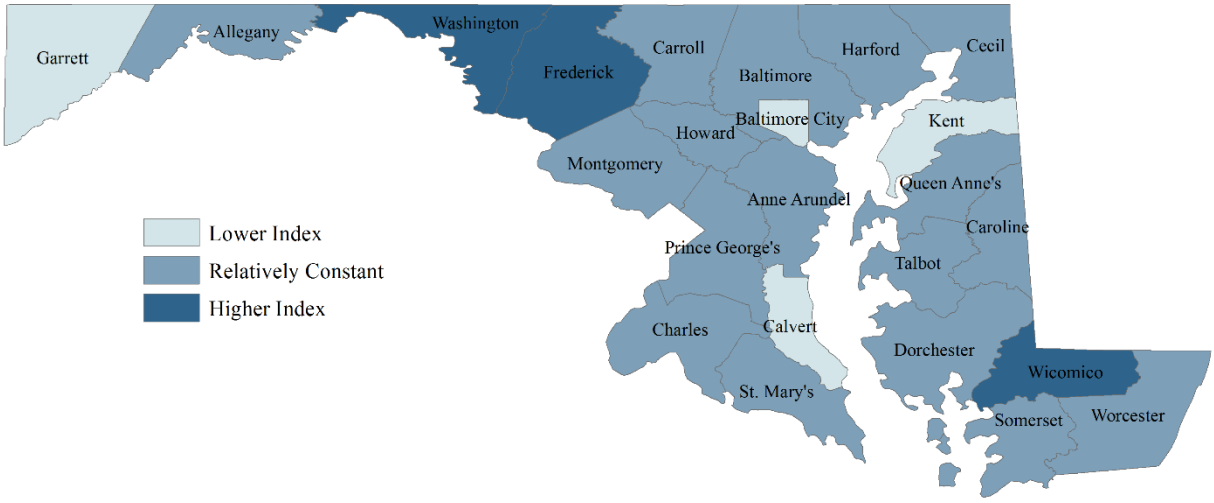
On average, local governments received $0.40 in direct State aid for each $1.00 in taxes paid by county residents and businesses. The ratios for 15 counties matched or exceeded this statewide weighted average. State aid to revenue allocation ratios for four of Maryland's largest jurisdictions (Anne Arundel, Baltimore, Howard, and Montgomery counties) were considerably below the statewide average. Moreover, the simple average, or county mean, of $0.52, calculated by summing the county ratios and dividing by 24, is somewhat higher than the statewide weighted average.

Likewise, on average local governments received $0.44 in total State aid (direct aid and payments-on-behalf) for each $1.00 in taxes paid. 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 2012 (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).

During this 10-year period, the "balance sheet index" increased in 3 counties and decreased in 4 counties. For the remaining 17 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 2012 as measured on a per capita basis include Anne Arundel, Howard, Montgomery, Talbot, and Worcester. The counties that generated the least per capita State tax revenues include Allegany, Caroline, Cecil, Dorchester, and Somerset counties. 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 2012 as measured on a per capita basis include Baltimore City and Allegany, Caroline, Charles, Somerset, 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 2012

County	Allocation of Tax Revenues Excl. Property Tax	Allocation Of Total Tax Revenues	Direct State Grants	Direct Grants and Payments-on-behalf
Allegany	$120,453,025	$125,063,753	$94,998,989	$105,464,535
Anne Arundel	1,493,535,981	1,581,349,146	345,392,511	419,375,807
Baltimore City	1,100,500,599	1,147,327,550	1,157,773,315	1,237,427,894
Baltimore	2,078,522,138	2,170,549,601	595,337,089	696,821,442
Calvert	194,611,141	209,038,057	86,998,195	104,316,949
Caroline	43,102,323	46,364,211	47,856,466	52,941,550
Carroll	393,813,562	415,433,694	152,134,210	178,111,973
Cecil	154,816,038	166,709,319	111,299,465	126,776,687
Charles	353,028,462	371,722,427	166,706,488	192,092,055
Dorchester	52,412,074	56,383,453	37,134,118	41,469,442
Frederick	559,946,403	590,343,929	233,142,031	271,001,124
Garrett	52,840,354	58,686,698	29,838,954	34,333,023
Harford	546,786,544	576,566,346	226,183,544	262,275,497
Howard	888,056,087	937,523,962	235,871,314	297,570,170
Kent	43,929,790	47,590,704	11,367,463	13,769,606
Montgomery	3,066,239,761	3,250,640,136	626,682,615	805,765,908
Prince George's	1,738,105,290	1,831,381,840	944,526,162	1,073,325,323
Queen Anne's	108,074,419	117,586,160	35,034,356	42,022,912
St. Mary's	230,564,097	244,536,146	97,342,491	112,542,961
Somerset	24,089,686	26,359,308	30,896,283	33,920,905
Talbot	124,626,826	135,532,009	14,184,910	18,288,031
Washington	292,872,840	307,903,585	165,167,375	185,548,518
Wicomico	184,003,122	191,656,172	125,170,990	139,516,250
Worcester	168,186,409	188,230,172	24,069,668	32,135,128
Total	**$14,013,116,970**	**$14,794,478,380**	**$5,595,109,002**	**$6,476,813,690**

Source: Department of Legislative Services

Exhibit 1.2
State Financial Assistance Received for Each $1.00 of Taxes Paid
Fiscal 2012

County	Direct State Grants	Direct Grants and Payments-on-behalf
Allegany	0.79	0.84
Anne Arundel	0.23	0.27
Baltimore City	1.05	1.08
Baltimore	0.29	0.32
Calvert	0.45	0.50
Caroline	1.11	1.14
Carroll	0.39	0.43
Cecil	0.72	0.76
Charles	0.47	0.52
Dorchester	0.71	0.74
Frederick	0.42	0.46
Garrett	0.56	0.59
Harford	0.41	0.45
Howard	0.27	0.32
Kent	0.26	0.29
Montgomery	0.20	0.25
Prince George's	0.54	0.59
Queen Anne's	0.32	0.36
St. Mary's	0.42	0.46
Somerset	1.28	1.29
Talbot	0.11	0.13
Washington	0.56	0.60
Wicomico	0.68	0.73
Worcester	0.14	0.17
Total (Weighted Avg.)	**0.40**	**0.44**
County Mean (Simple Avg.)	**0.52**	**0.55**
Standard Deviation	**0.30**	**0.30**

Source: Department of Legislative Services

Exhibit 1.3
State Financial Assistance Received as a Percent of the Statewide Average
Fiscal 2012

County	Direct State Grants	Direct Grants and Payments-on-behalf
Allegany	1.98	1.93
Anne Arundel	0.58	0.61
Baltimore City	2.63	2.46
Baltimore	0.72	0.73
Calvert	1.12	1.14
Caroline	2.78	2.61
Carroll	0.97	0.98
Cecil	1.80	1.74
Charles	1.18	1.18
Dorchester	1.77	1.68
Frederick	1.04	1.05
Garrett	1.41	1.34
Harford	1.04	1.04
Howard	0.67	0.73
Kent	0.65	0.66
Montgomery	0.51	0.57
Prince George's	1.36	1.34
Queen Anne's	0.81	0.82
St. Mary's	1.06	1.05
Somerset	3.21	2.94
Talbot	0.29	0.31
Washington	1.41	1.38
Wicomico	1.70	1.66
Worcester	0.36	0.39
Total (Weighted Avg.)	**1.00**	**1.00**
County Mean (Simple Avg.)	**1.29**	**1.26**
Standard Deviation	**0.77**	**0.69**

Source: Department of Legislative Services

Exhibit 1.4

State Financial Assistance Received for Each $1.00 of Taxes Paid

Direct Aid

10-year Summary

County	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Allegany	0.70	0.67	0.65	0.71	0.80	0.87	0.89	0.90	0.87	0.79
Anne Arundel	0.24	0.22	0.22	0.21	0.23	0.24	0.25	0.24	0.24	0.23
Baltimore City	1.05	0.98	0.94	0.95	1.02	1.07	1.11	1.10	1.08	1.05
Baltimore	0.24	0.23	0.24	0.24	0.27	0.29	0.30	0.31	0.30	0.29
Calvert	0.46	0.46	0.45	0.46	0.49	0.52	0.51	0.51	0.49	0.45
Caroline	1.03	0.97	0.90	0.90	1.05	1.12	1.20	1.18	1.16	1.11
Carroll	0.37	0.35	0.35	0.36	0.39	0.41	0.43	0.42	0.41	0.39
Cecil	0.65	0.62	0.62	0.65	0.69	0.74	0.76	0.75	0.77	0.72
Charles	0.40	0.39	0.40	0.43	0.48	0.50	0.51	0.50	0.47	0.47
Dorchester	0.65	0.61	0.57	0.60	0.62	0.69	0.75	0.73	0.65	0.71
Frederick	0.32	0.31	0.31	0.33	0.36	0.41	0.44	0.44	0.42	0.42
Garrett	0.70	0.67	0.59	0.58	0.62	0.62	0.63	0.64	0.61	0.56
Harford	0.39	0.38	0.37	0.39	0.43	0.45	0.47	0.46	0.45	0.41
Howard	0.22	0.22	0.22	0.22	0.24	0.26	0.28	0.28	0.28	0.27
Kent	0.35	0.30	0.28	0.28	0.27	0.24	0.28	0.30	0.27	0.26
Montgomery	0.16	0.15	0.15	0.14	0.15	0.17	0.19	0.20	0.21	0.20
Prince George's	0.52	0.49	0.50	0.54	0.59	0.64	0.64	0.62	0.58	0.54
Queen Anne's	0.31	0.29	0.27	0.28	0.30	0.32	0.35	0.33	0.33	0.32
St. Mary's	0.40	0.39	0.40	0.42	0.45	0.48	0.50	0.47	0.46	0.42
Somerset	1.11	1.05	0.96	1.04	1.12	1.24	1.19	1.28	1.36	1.28
Talbot	0.10	0.12	0.12	0.11	0.12	0.11	0.12	0.12	0.12	0.11
Washington	0.38	0.36	0.36	0.39	0.46	0.52	0.55	0.56	0.56	0.56
Wicomico	0.45	0.44	0.44	0.45	0.51	0.58	0.63	0.67	0.70	0.68
Worcester	0.10	0.11	0.12	0.12	0.14	0.14	0.14	0.14	0.14	0.14
Total (Weighted Avg.)	**0.37**	**0.35**	**0.34**	**0.35**	**0.38**	**0.41**	**0.43**	**0.43**	**0.42**	**0.40**
County Mean (Simple Avg.)	**0.47**	**0.45**	**0.43**	**0.45**	**0.49**	**0.53**	**0.55**	**0.55**	**0.54**	**0.52**
Standard Deviation	**0.28**	**0.26**	**0.24**	**0.25**	**0.28**	**0.30**	**0.31**	**0.31**	**0.32**	**0.30**

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

10-year Summary

County	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Allegany	0.73	0.69	0.67	0.73	0.83	0.91	0.93	0.95	0.92	0.84
Anne Arundel	0.27	0.24	0.23	0.23	0.25	0.26	0.27	0.27	0.28	0.27
Baltimore City	1.08	1.00	0.95	0.96	1.03	1.09	1.12	1.12	1.11	1.08
Baltimore	0.27	0.26	0.26	0.26	0.29	0.31	0.33	0.34	0.33	0.32
Calvert	0.50	0.48	0.47	0.48	0.51	0.55	0.54	0.55	0.55	0.50
Caroline	1.07	0.99	0.92	0.91	1.06	1.14	1.21	1.21	1.19	1.14
Carroll	0.39	0.37	0.37	0.38	0.41	0.44	0.46	0.46	0.46	0.43
Cecil	0.69	0.64	0.64	0.66	0.71	0.76	0.78	0.78	0.81	0.76
Charles	0.43	0.42	0.42	0.44	0.50	0.53	0.54	0.54	0.52	0.52
Dorchester	0.68	0.63	0.59	0.61	0.63	0.71	0.76	0.76	0.68	0.74
Frederick	0.35	0.33	0.33	0.35	0.38	0.44	0.47	0.48	0.47	0.46
Garrett	0.72	0.67	0.60	0.58	0.62	0.63	0.64	0.65	0.63	0.59
Harford	0.42	0.40	0.39	0.40	0.45	0.48	0.50	0.50	0.49	0.45
Howard	0.25	0.25	0.25	0.25	0.27	0.30	0.32	0.33	0.33	0.32
Kent	0.38	0.32	0.30	0.30	0.29	0.26	0.30	0.33	0.31	0.29
Montgomery	0.19	0.19	0.18	0.17	0.18	0.20	0.22	0.25	0.25	0.25
Prince George's	0.55	0.51	0.52	0.55	0.61	0.67	0.66	0.66	0.62	0.59
Queen Anne's	0.34	0.31	0.29	0.29	0.31	0.34	0.37	0.36	0.36	0.36
St. Mary's	0.43	0.41	0.42	0.43	0.47	0.50	0.52	0.50	0.50	0.46
Somerset	1.14	1.06	0.97	1.05	1.12	1.24	1.20	1.29	1.37	1.29
Talbot	0.12	0.14	0.14	0.12	0.13	0.12	0.13	0.13	0.14	0.13
Washington	0.41	0.34	0.38	0.40	0.48	0.54	0.57	0.59	0.60	0.60
Wicomico	0.49	0.47	0.46	0.47	0.54	0.61	0.67	0.71	0.74	0.73
Worcester	0.13	0.13	0.13	0.13	0.15	0.16	0.15	0.17	0.17	0.17
Total (Weighted Avg.)	**0.40**	**0.37**	**0.37**	**0.37**	**0.40**	**0.43**	**0.46**	**0.47**	**0.46**	**0.44**
County Mean (Simple Avg.)	**0.50**	**0.47**	**0.45**	**0.47**	**0.51**	**0.55**	**0.57**	**0.58**	**0.58**	**0.55**
Standard Deviation	**0.28**	**0.26**	**0.24**	**0.25**	**0.28**	**0.30**	**0.30**	**0.31**	**0.31**	**0.30**

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

10-year Summary

County	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Allegany	1.89	1.90	1.87	2.02	2.09	2.11	2.08	2.09	2.08	1.98
Anne Arundel	0.66	0.63	0.63	0.60	0.61	0.59	0.57	0.56	0.57	0.58
Baltimore City	2.85	2.79	2.74	2.70	2.67	2.61	2.59	2.56	2.59	2.63
Baltimore	0.66	0.67	0.68	0.68	0.70	0.70	0.71	0.71	0.71	0.72
Calvert	1.26	1.30	1.30	1.30	1.27	1.27	1.18	1.18	1.19	1.12
Caroline	2.81	2.76	2.60	2.56	2.74	2.74	2.80	2.75	2.78	2.78
Carroll	1.00	0.99	1.02	1.02	1.03	1.00	0.99	0.98	0.98	0.97
Cecil	1.78	1.76	1.79	1.85	1.81	1.80	1.76	1.74	1.85	1.80
Charles	1.09	1.13	1.17	1.21	1.24	1.23	1.19	1.16	1.14	1.18
Dorchester	1.76	1.75	1.66	1.71	1.61	1.69	1.74	1.70	1.55	1.77
Frederick	0.87	0.88	0.90	0.94	0.95	1.00	1.03	1.02	1.01	1.04
Garrett	1.92	1.91	1.72	1.64	1.62	1.51	1.47	1.50	1.45	1.41
Harford	1.05	1.07	1.08	1.10	1.13	1.11	1.09	1.06	1.07	1.04
Howard	0.60	0.64	0.64	0.64	0.63	0.64	0.65	0.65	0.67	0.67
Kent	0.96	0.87	0.82	0.81	0.71	0.58	0.65	0.69	0.66	0.65
Montgomery	0.42	0.43	0.43	0.40	0.40	0.41	0.43	0.47	0.49	0.51
Prince George's	1.41	1.40	1.45	1.53	1.54	1.56	1.48	1.44	1.40	1.36
Queen Anne's	0.86	0.83	0.78	0.79	0.78	0.77	0.81	0.78	0.78	0.81
St. Mary's	1.08	1.11	1.15	1.18	1.17	1.16	1.15	1.09	1.10	1.06
Somerset	3.03	2.99	2.77	2.97	2.93	3.02	2.78	2.98	3.26	3.21
Talbot	0.27	0.36	0.36	0.31	0.31	0.27	0.27	0.27	0.29	0.29
Washington	1.03	1.02	1.04	1.10	1.20	1.27	1.29	1.30	1.34	1.41
Wicomico	1.24	1.25	1.27	1.27	1.33	1.41	1.47	1.55	1.67	1.70
Worcester	0.28	0.33	0.34	0.35	0.36	0.34	0.32	0.32	0.34	0.36
Total (Weighted Avg.)	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**
County Mean (Simple Avg.)	**1.28**	**1.28**	**1.26**	**1.28**	**1.28**	**1.28**	**1.27**	**1.27**	**1.29**	**1.29**
Standard Deviation	**0.78**	**0.76**	**0.71**	**0.73**	**0.74**	**0.75**	**0.73**	**0.74**	**0.77**	**0.77**

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

10-year Summary

County	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Allegany	1.84	1.86	1.84	1.99	2.06	2.09	2.05	2.04	2.02	1.93
Anne Arundel	0.67	0.64	0.64	0.62	0.63	0.61	0.59	0.59	0.60	0.61
Baltimore City	2.73	2.67	2.61	2.60	2.57	2.50	2.47	2.40	2.43	2.46
Baltimore	0.68	0.69	0.70	0.70	0.71	0.71	0.73	0.73	0.72	0.73
Calvert	1.26	1.29	1.29	1.30	1.27	1.26	1.19	1.19	1.19	1.14
Caroline	2.70	2.64	2.50	2.47	2.64	2.62	2.67	2.59	2.60	2.61
Carroll	1.00	0.99	1.02	1.02	1.03	1.01	1.00	0.99	1.00	0.98
Cecil	1.73	1.71	1.74	1.78	1.75	1.75	1.71	1.68	1.78	1.74
Charles	1.09	1.12	1.16	1.20	1.23	1.22	1.18	1.16	1.14	1.18
Dorchester	1.70	1.69	1.61	1.66	1.57	1.64	1.67	1.64	1.49	1.68
Frederick	0.87	0.89	0.91	0.94	0.95	1.00	1.03	1.03	1.02	1.05
Garrett	1.83	1.80	1.64	1.56	1.55	1.44	1.40	1.41	1.37	1.34
Harford	1.05	1.07	1.07	1.10	1.13	1.11	1.10	1.07	1.07	1.04
Howard	0.64	0.68	0.68	0.67	0.67	0.69	0.70	0.70	0.73	0.73
Kent	0.97	0.87	0.81	0.81	0.71	0.60	0.66	0.70	0.67	0.66
Montgomery	0.48	0.50	0.48	0.45	0.45	0.46	0.48	0.53	0.55	0.57
Prince George's	1.38	1.38	1.42	1.50	1.52	1.53	1.45	1.41	1.36	1.34
Queen Anne's	0.86	0.83	0.78	0.80	0.78	0.78	0.81	0.78	0.78	0.82
St. Mary's	1.08	1.11	1.15	1.17	1.16	1.16	1.14	1.08	1.09	1.05
Somerset	2.88	2.84	2.65	2.83	2.79	2.86	2.63	2.77	3.00	2.94
Talbot	0.30	0.38	0.37	0.33	0.32	0.28	0.29	0.29	0.32	0.31
Washington	1.03	0.91	1.04	1.09	1.18	1.25	1.26	1.27	1.31	1.38
Wicomico	1.23	1.25	1.26	1.27	1.33	1.40	1.46	1.52	1.63	1.66
Worcester	0.32	0.35	0.36	0.36	0.37	0.36	0.34	0.36	0.37	0.39
Total (Weighted Avg.)	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**
County Mean (Simple Avg.)	**1.26**	**1.26**	**1.24**	**1.26**	**1.27**	**1.26**	**1.25**	**1.25**	**1.26**	**1.26**
Standard Deviation	**0.72**	**0.70**	**0.70**	**0.69**	**0.70**	**0.71**	**0.68**	**0.68**	**0.70**	**0.69**

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 2012

	Share of Population			*Share of State Tax Revenues*			*Share of State Grants*		
County	**Population**	**Percent of Total**	**Ranking**	**Total Revenues**	**Percent of Total**	**Ranking**	**Total Grants**	**Percent of Total**	**Ranking**
Allegany	74,692	1.3%	16	$125,063,753	0.8%	18	$105,464,535	1.6%	15
Anne Arundel	544,403	9.3%	5	1,581,349,146	10.7%	4	419,375,807	6.5%	5
Baltimore City	619,493	10.6%	4	1,147,327,550	7.8%	5	1,237,427,894	19.1%	1
Baltimore	809,941	13.9%	3	2,170,549,601	14.7%	2	696,821,442	10.8%	4
Calvert	89,256	1.5%	15	209,038,057	1.4%	13	104,316,949	1.6%	16
Caroline	32,985	0.6%	20	46,364,211	0.3%	23	52,941,550	0.8%	17
Carroll	167,288	2.9%	9	415,433,694	2.8%	9	178,111,973	2.7%	11
Cecil	101,694	1.7%	13	166,709,319	1.1%	16	126,776,687	2.0%	13
Charles	149,130	2.6%	10	371,722,427	2.5%	10	192,092,055	3.0%	9
Dorchester	32,640	0.6%	21	56,383,453	0.4%	21	41,469,442	0.6%	19
Frederick	236,745	4.1%	8	590,343,929	4.0%	7	271,001,124	4.2%	7
Garrett	30,051	0.5%	22	58,686,698	0.4%	20	34,333,023	0.5%	20
Harford	246,489	4.2%	7	576,566,346	3.9%	8	262,275,497	4.0%	8
Howard	293,142	5.0%	6	937,523,962	6.3%	6	297,570,170	4.6%	6
Kent	20,204	0.3%	24	47,590,704	0.3%	22	13,769,606	0.2%	24
Montgomery	989,794	17.0%	1	3,250,640,136	22.0%	1	805,765,908	12.4%	3
Prince George's	871,233	14.9%	2	1,831,381,840	12.4%	3	1,073,325,323	16.6%	2
Queen Anne's	48,354	0.8%	18	117,586,160	0.8%	19	42,022,912	0.6%	18
St. Mary's	107,484	1.8%	12	244,536,146	1.7%	12	112,542,961	1.7%	14
Somerset	26,339	0.5%	23	26,359,308	0.2%	24	33,920,905	0.5%	21
Talbot	38,025	0.7%	19	135,532,009	0.9%	17	18,288,031	0.3%	23
Washington	148,203	2.5%	11	307,903,585	2.1%	11	185,548,518	2.9%	10
Wicomico	99,190	1.7%	14	191,656,172	1.3%	14	139,516,250	2.2%	12
Worcester	51,514	0.9%	17	188,230,172	1.3%	15	32,135,128	0.5%	22
Total	**5,828,289**	**100.0%**		**$14,794,478,380**	**100.0%**		**$6,476,813,690**	**100.0%**	

Source: Department of Legislative Services

Exhibit 1.9

Per Capita Allocation of State Tax Revenues and State Aid – Fiscal 2012

		Allocation of State Tax Revenues			*State Grants to Local Governments*		
County	**Population**	**Total Revenues**	**Per Capita Amount**	**Ranking**	**Total Grants**	**Per Capita Amount**	**Ranking**
Allegany	74,692	$125,063,753	$1,674	21	$105,464,535	$1,412	3
Anne Arundel	544,403	1,581,349,146	2,905	5	419,375,807	770	21
Baltimore City	619,493	1,147,327,550	1,852	19	1,237,427,894	1,997	1
Baltimore	809,941	2,170,549,601	2,680	6	696,821,442	860	19
Calvert	89,256	209,038,057	2,342	12	104,316,949	1,169	11
Caroline	32,985	46,364,211	1,406	23	52,941,550	1,605	2
Carroll	167,288	415,433,694	2,483	9	178,111,973	1,065	14
Cecil	101,694	166,709,319	1,639	22	126,776,687	1,247	9
Charles	149,130	371,722,427	2,493	8	192,092,055	1,288	5
Dorchester	32,640	56,383,453	1,727	20	41,469,442	1,271	7
Frederick	236,745	590,343,929	2,494	7	271,001,124	1,145	12
Garrett	30,051	58,686,698	1,953	17	34,333,023	1,142	13
Harford	246,489	576,566,346	2,339	13	262,275,497	1,064	15
Howard	293,142	937,523,962	3,198	4	297,570,170	1,015	17
Kent	20,204	47,590,704	2,356	11	13,769,606	682	22
Montgomery	989,794	3,250,640,136	3,284	3	805,765,908	814	20
Prince George's	871,233	1,831,381,840	2,102	15	1,073,325,323	1,232	10
Queen Anne's	48,354	117,586,160	2,432	10	42,022,912	869	18
St. Mary's	107,484	244,536,146	2,275	14	112,542,961	1,047	16
Somerset	26,339	26,359,308	1,001	24	33,920,905	1,288	6
Talbot	38,025	135,532,009	3,564	2	18,288,031	481	24
Washington	148,203	307,903,585	2,078	16	185,548,518	1,252	8
Wicomico	99,190	191,656,172	1,932	18	139,516,250	1,407	4
Worcester	51,514	188,230,172	3,654	1	32,135,128	624	23
Total	**5,828,289**	**$14,794,478,380**	**$2,538**		**$6,476,813,690**	**$1,111**	

Source: Department of Legislative Services

Chapter 2. State Aid to Local Governments

Introduction

State aid is a major revenue source for local governments in Maryland, totaling $6.7 billion in fiscal 2012. 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 2012, nearly 89% of State aid went to support local school systems with county and municipal governments receiving 5.9% of the aid. Local school systems received $5.8 billion in State operational grants in fiscal 2012, while county and municipal governments received $385.9 million. The remaining 5.6% was distributed to local libraries, community colleges, and local health departments. These entities received $366.1 million in fiscal 2012. In addition, the State assumption of functions in Baltimore City has increased from $117.6 million in fiscal 2002 to $168.1 million in fiscal 2012. **Exhibit 2.1** compares the allocation of State aid by governmental entity in fiscal 2002 and 2012.

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

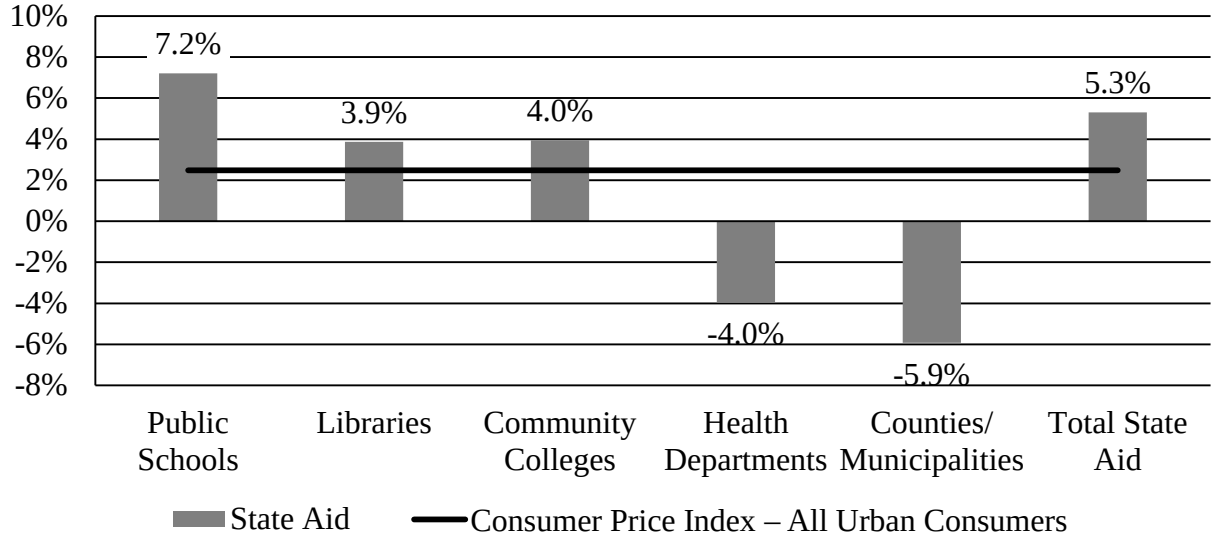
Entity	FY 2002	Percent of Total	FY 2012	Percent of Total
Public Schools	$2,885.9	74.4%	$5,778.6	88.5%
County/Municipal	711.3	18.3%	385.9	5.9%
Community Colleges	178.5	4.6%	263.1	4.0%
Health	57.3	1.5%	38.3	0.6%
Libraries	44.3	1.1%	64.7	1.0%
Subtotal	**$3,877.3**	**100.0%**	**$6,530.6**	**100.0%**
Assumed Functions	117.6		168.1	
Total	**$3,994.9**		**$6,698.7**	

Source: Department of Legislative Services

Change in State Aid

Over the last 10 years, State aid to local governments has increased by $2.7 billion, which represents a 5.3% 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 2002-2012



Reliance on State Aid

State aid is the largest revenue source for a majority of county governments in Maryland, representing 27.6% of total county revenues. In Anne Arundel, Baltimore, Calvert, Carroll, Garrett, Kent, Queen Anne's, Talbot, and Worcester counties, State aid is the second largest revenue source after property taxes; while in Howard and Montgomery counties, State aid is the third largest revenue source after both property and income taxes. The dependence on State aid varies across the State, with less affluent jurisdictions relying on State aid as their primary revenue source while more affluent jurisdictions rely more heavily on local property and income taxes. For example, State aid accounts for 15.9% of total revenues in Worcester County but reaches 51.4% in Somerset County.

State aid is the fourth largest revenue source for municipalities, representing 6.1% of total revenues. As with counties, the reliance on State aid varies for municipalities, ranging from 0.9% of total revenues for municipalities in Talbot County to 33.0% for municipalities in Charles County, where State aid is the largest revenue source.

State Assumed Functions in Baltimore City

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

Detention Center and Central Booking and Intake Facility

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

Legislation enacted in 1991 authorized the State to assume the costs and operation of the Baltimore City Detention Center and provided for State operation of a central booking and intake facility in Baltimore City by fiscal 1995. The Baltimore City Central Booking and Intake Facility originally opened in fiscal 1996. The State spent approximately $74.9 million in fiscal 2012 to operate the Baltimore City Detention Center and $52.4 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 2012, local community colleges received 22.1% of their operating funding from the State and 25.9% 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 $40.7 million in fiscal 2012.

Allocation of State Financial Assistance

State financial assistance reported in *The Balance Sheet* for fiscal 2012 totals $6.5 billion representing $5.4 billion in direct State grants, $881.7 million in retirement payments made by the State on behalf of the counties, and $168.1 million for assumed functions. Direct State grants include funds for police protection, fire and rescue services, Program Open Space, public schools, community colleges, libraries, and public health services. State payments-on-behalf include teachers' retirement costs for certain board of education, community college, and library employees. Assumed functions include State appropriations for the Baltimore City Community College, the Baltimore City Detention Center, and the Baltimore City Central Booking and Intake Facility.

The amounts shown for each county include State grants to the municipalities located within the county. State aid programs funded from tax revenues not covered in *The Balance Sheet*, primarily those programs funded from Transportation Trust Fund revenues, have been excluded from this report. State aid programs excluded from this analysis include local highway user revenues; local transportation grants for the elderly, disabled, and paratransit services; 911 emergency communications grants; and vehicle theft prevention grants. These programs account for approximately 2.5% of total State aid to local governments in fiscal 2012. This percentage is low relative to recent prior years, due primarily to a significant reduction in highway user revenues to local governments in fiscal 2012. **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 2012 with the amount of State aid allocated to the counties in *The Balance Sheet* analysis.

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

	FY 2002	FY 2007	FY 2012
Highway User Revenues	$440.2	$554.9	$147.1
Elderly/Disabled Transportation	3.9	4.2	3.3
Paratransit Services	2.3	3.1	2.9
911 Emergency Communications	5.9	12.9	13.5
Vehicle Theft Prevention	1.5	2.3	1.4
Total	**$453.7**	**$577.4**	**$168.2**
Percent of State Aid	11.4%	9.7%	2.5%

Source: Department of Legislative Services

Exhibit 2.4
Comparison of Total State Aid with the Amount of State Aid Allocated in *The Balance Sheet*
Fiscal 2012

	Total State Aid		State Aid in *Balance Sheet*		Percent of
County	**Amount**	**Per Capita**	**Amount**	**Per Capita**	**Total State Aid**
Allegany	$106,598,753	$1,427	$105,464,535	$1,412	98.9%
Anne Arundel	423,861,036	779	419,375,807	770	98.9%
Baltimore City	1,361,597,394	2,198	1,237,427,894	1,997	90.9%
Baltimore	701,882,136	867	696,821,442	860	99.3%
Calvert	105,160,774	1,178	104,316,949	1,169	99.2%
Caroline	54,156,071	1,642	52,941,550	1,605	97.8%
Carroll	180,276,495	1,078	178,111,973	1,065	98.8%
Cecil	127,612,964	1,255	126,776,687	1,247	99.3%
Charles	192,807,505	1,293	192,092,055	1,288	99.6%
Dorchester	43,256,449	1,325	41,469,442	1,271	95.9%
Frederick	273,435,251	1,155	271,001,124	1,145	99.1%
Garrett	35,019,805	1,165	34,333,023	1,142	98.0%
Harford	263,810,832	1,070	262,275,497	1,064	99.4%
Howard	300,502,162	1,025	297,570,170	1,015	99.0%
Kent	13,991,685	693	13,769,606	682	98.4%
Montgomery	810,491,508	819	805,765,908	814	99.4%
Prince George's	1,080,685,684	1,240	1,073,325,323	1,232	99.3%
Queen Anne's	42,900,939	887	42,022,912	869	98.0%
St. Mary's	113,119,458	1,052	112,542,961	1,047	99.5%
Somerset	34,348,368	1,304	33,920,905	1,288	98.8%
Talbot	18,720,106	492	18,288,031	481	97.7%
Washington	186,812,788	1,261	185,548,518	1,252	99.3%
Wicomico	140,467,614	1,416	139,516,250	1,407	99.3%
Worcester	32,977,866	640	32,135,128	624	97.4%
Unallocated	54,236,309	9	0	0	0.0%
Total	**$6,698,729,952**	**$1,149**	**$6,476,813,690**	**$1,111**	**96.7%**

Source: Department of Legislative Services

In fiscal 2012, 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 $1,997 for Baltimore City (the greatest per capita amount for any jurisdiction) and $1,232 for Prince George's County. Kent and Talbot counties, in contrast, received the least amount of State aid at $13.8 million and $18.3 million, respectively. On a per capita basis, Kent County received $682 while Talbot County received $481 – 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 2012

County	Education	Libraries	Community Colleges	Health	County/ Municipal	Retirement Payments	Assumed Functions	Total
Allegany	$79,085,687	$746,608	$5,993,516	$1,011,628	$8,161,550	$10,465,546	$0	$105,464,535
Anne Arundel	303,024,053	1,964,940	29,496,980	3,220,508	7,686,030	73,983,296	0	419,375,807
Baltimore City	882,320,506	6,346,260	0	6,675,053	94,316,678	79,654,579	168,114,818	1,237,427,894
Baltimore	540,037,554	5,180,194	37,384,147	4,302,618	8,432,576	101,484,353	0	696,821,442
Calvert	83,205,088	383,502	2,203,640	407,988	797,977	17,318,754	0	104,316,949
Caroline	42,912,660	271,840	1,499,038	564,369	2,608,559	5,085,084	0	52,941,550
Carroll	140,721,924	1,008,908	7,596,291	1,285,887	1,521,200	25,977,763	0	178,111,973
Cecil	98,062,835	711,820	5,388,904	849,277	6,286,629	15,477,222	0	126,776,687
Charles	156,294,053	816,524	7,304,405	1,065,507	1,225,999	25,385,567	0	192,092,055
Dorchester	32,599,680	238,464	1,292,539	469,014	2,534,421	4,335,324	0	41,469,442
Frederick	219,337,851	1,221,701	8,954,991	1,560,784	2,066,704	37,859,093	0	271,001,124
Garrett	23,276,716	129,041	3,402,671	476,012	2,554,514	4,494,069	0	34,333,023
Harford	209,847,403	1,522,968	10,558,640	1,788,188	2,466,345	36,091,953	0	262,275,497
Howard	216,291,296	823,740	14,323,756	1,268,736	3,163,786	61,698,856	0	297,570,170
Kent	9,893,807	91,101	594,080	368,387	420,088	2,402,143	0	13,769,606
Montgomery	566,239,444	2,720,480	42,312,831	3,015,092	12,394,768	179,083,293	0	805,765,908
Prince George's	871,701,593	5,606,123	23,522,086	5,012,127	38,684,233	128,799,161	0	1,073,325,323
Queen Anne's	32,261,848	139,423	1,652,287	443,582	537,216	6,988,556	0	42,022,912
St. Mary's	92,571,211	588,169	2,481,465	836,799	864,847	15,200,470	0	112,542,961
Somerset	24,144,639	257,854	717,136	460,307	5,316,347	3,024,622	0	33,920,905
Talbot	11,742,586	101,534	1,439,535	351,958	549,297	4,103,121	0	18,288,031
Washington	153,173,053	1,145,658	8,041,611	1,452,583	1,354,470	20,381,143	0	185,548,518
Wicomico	114,981,929	833,544	4,802,846	1,007,572	3,545,099	14,345,260	0	139,516,250
Worcester	18,622,111	137,542	1,919,118	378,843	3,012,054	8,065,460	0	32,135,128
Unallocated	0	0	0	0	0	0	0	0
Total	**$4,922,349,527**	**$32,987,938**	**$222,882,513**	**$38,272,819**	**$210,501,387**	**$881,704,688**	**$168,114,818**	**$6,476,813,690**

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 2012

County	Education	Libraries	Community Colleges	Health	County/ Municipal	Retirement Payments	Assumed Functions	Total
Allegany	$1,059	$10	$80	$14	$109	$140	$0	$1,412
Anne Arundel	557	4	54	6	14	136	0	770
Baltimore City	1,424	10	0	11	152	129	271	1,997
Baltimore	667	6	46	5	10	125	0	860
Calvert	932	4	25	5	9	194	0	1,169
Caroline	1,301	8	45	17	79	154	0	1,605
Carroll	841	6	45	8	9	155	0	1,065
Cecil	964	7	53	8	62	152	0	1,247
Charles	1,048	5	49	7	8	170	0	1,288
Dorchester	999	7	40	14	78	133	0	1,271
Frederick	926	5	38	7	9	160	0	1,145
Garrett	775	4	113	16	85	150	0	1,142
Harford	851	6	43	7	10	146	0	1,064
Howard	738	3	49	4	11	210	0	1,015
Kent	490	5	29	18	21	119	0	682
Montgomery	572	3	43	3	13	181	0	814
Prince George's	1,001	6	27	6	44	148	0	1,232
Queen Anne's	667	3	34	9	11	145	0	869
St. Mary's	861	5	23	8	8	141	0	1,047
Somerset	917	10	27	17	202	115	0	1,288
Talbot	309	3	38	9	14	108	0	481
Washington	1,034	8	54	10	9	138	0	1,252
Wicomico	1,159	8	48	10	36	145	0	1,407
Worcester	361	3	37	7	58	157	0	624
Unallocated	0	0	0	0	0	0	0	0
Total	**$845**	**$6**	**$38**	**$7**	**$36**	**$151**	**$29**	**$1,111**

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

Introduction

The Balance Sheet analysis accounts for a majority of State tax revenues. State tax revenues allocated to local governments total $14.8 billion in fiscal 2012. 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, video lottery terminal (VLT) revenues, revenues from new electronic bingo and tip jars, 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 2012, 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 $7.1 billion or 48.1% of total allocated revenue. The amount of allocated taxes on a per capita basis varies widely as illustrated in Exhibit 3.3. Worcester County generated the greatest amount of State revenues at $3,654 per resident followed by Talbot County at $3,564 per resident. Howard and Montgomery counties are the next leading counties in terms of per capita revenue collections. In comparison, Somerset County generated the least State revenues at $1,001 per resident. In terms of the individual income tax, Montgomery County generated the most per capita at $1,949 followed by Howard County at $1,887 per resident. In comparison, Somerset County contributed the least per capita at $357 while Allegany and Caroline counties generate $569 and $602, 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 Somerset County 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

	Percent of Total Taxes Allocated		
Point of Collection	**FY 2002**	**FY 2007**	**FY 2012**
Individual Income Tax	50.8%	50.7%	48.1%
Sales Tax	28.7%	26.2%	27.7%
Property Tax	2.9%	4.3%	5.3%
Transfer Tax	1.3%	1.6%	0.8%
Death Taxes	2.0%	1.7%	1.5%
Subtotal	**85.7%**	**84.6%**	**83.3%**
County Sales			
Net Lottery Receipts	4.4%	3.6%	3.6%
Liquor Tax	0.1%	0.1%	0.1%
Beer Tax	0.1%	0.1%	0.1%
Wine Tax	< 0.1%	< 0.1%	< 0.1%
Subtotal	**4.6%**	**3.8%**	**3.8%**
Utility Revenues			
Gross Receipts Tax	**1.5%**	**1.0%**	**0.9%**
Population			
Corporate Income Tax	2.9%	4.5%	4.7%
Tobacco Tax	2.2%	2.1%	2.8%
Insurance Tax	2.0%	2.5%	2.1%
Abandoned Property	0.4%	0.5%	0.5%
Corporate Filing Fees	0.1%	0.5%	0.5%
VLT Revenues	0.0%	0.0%	0.9%
Electronic Bingo/Tip Jars	0.0%	0.0%	0.1%
Horse Racing Tax	< 0.1%	< 0.1%	< 0.1%
Net Earnings Tax	-0.1%	0.0%	< 0.1%
Subtotal	**7.5%**	**10.1%**	**11.6%**
Vehicle Registration			
MedEvac Surcharge	**0.5%**	**0.4%**	**0.3%**
Total Taxes Allocated	**100.0%**	**100.0%**	**100.0%**

Source: Department of Legislative Services

Exhibit 3.2
Allocation of State Revenues
Fiscal 2012

County	Individual Income Tax	Corporate Income Tax	Gross Receipts Tax	Net Earnings Tax	Sales Tax	Insurance Tax	Transfer Tax
Allegany	$42,507,390	$8,959,915	$1,846,001	$0	$43,966,513	$3,944,919	$375,555
Anne Arundel	768,275,935	65,305,581	11,968,129	0	459,872,964	28,753,088	13,091,369
Baltimore City	399,088,692	74,313,239	14,784,210	0	386,607,016	32,719,028	6,793,837
Baltimore	1,023,341,650	97,159,030	18,199,231	0	645,865,571	42,777,694	13,176,040
Calvert	112,876,963	10,706,985	1,492,858	0	41,066,421	4,714,128	1,531,795
Caroline	19,866,987	3,956,820	797,784	0	8,459,011	1,742,130	317,839
Carroll	210,325,152	20,067,560	3,183,509	0	110,376,567	8,835,452	2,550,604
Cecil	67,805,658	12,199,025	2,291,191	0	43,110,231	5,371,052	1,318,170
Charles	158,604,723	17,889,360	2,594,266	0	121,993,890	7,876,423	2,643,426
Dorchester	19,866,259	3,915,434	885,974	0	16,538,913	1,723,908	422,233
Frederick	294,450,755	28,399,494	6,469,333	0	159,966,677	12,503,880	4,600,556
Garrett	19,796,387	3,604,863	732,368	0	20,329,483	1,587,168	775,147
Harford	290,507,679	29,568,366	4,876,769	0	145,408,571	13,018,518	4,360,458
Howard	553,125,733	35,164,774	6,590,853	0	203,413,556	15,482,534	11,374,649
Kent	18,230,551	2,423,635	443,093	0	15,593,744	1,067,091	361,145
Montgomery	1,929,355,569	118,733,865	21,233,365	0	651,571,370	52,276,777	31,517,591
Prince George's	717,656,644	104,511,506	17,627,411	0	599,535,711	46,014,881	14,703,759
Queen Anne's	58,216,989	5,800,457	939,859	0	26,888,973	2,553,856	1,332,865
St. Mary's	122,024,945	12,893,583	1,815,852	0	58,260,548	5,676,855	1,749,075
Somerset	9,395,103	3,159,578	429,178	0	3,700,572	1,391,116	207,170
Talbot	53,907,197	4,561,409	598,374	0	43,150,349	2,008,321	1,343,089
Washington	117,403,129	17,778,159	2,874,143	0	113,841,740	7,827,462	1,561,860
Wicomico	62,530,773	11,898,650	2,407,810	0	79,482,039	5,238,801	1,111,392
Worcester	45,518,546	6,179,525	1,939,403	0	91,880,347	2,720,754	2,547,458
Total	**$7,114,679,409**	**$699,150,812**	**$127,020,964**	**$0**	**$4,090,880,776**	**$307,825,836**	**$119,767,081**

Exhibit 3.2 (continued)

Allocation of State Revenues

Fiscal 2012

County	Death Taxes	Liquor Tax	Beer Tax	Wine Tax	Tobacco Tax	Horse Racing Tax	Net Lottery Receipts
Allegany	$5,344,984	$194,128	$166,097	$41,263	$5,275,938	$40,604	$3,264,578
Anne Arundel	15,772,789	1,782,674	1,030,332	877,132	38,454,404	295,948	54,471,876
Baltimore City	13,542,687	2,178,748	1,089,402	577,836	43,758,454	336,768	89,784,941
Baltimore	41,356,563	2,297,362	1,210,109	897,441	57,210,923	440,299	85,743,964
Calvert	2,328,949	248,332	168,922	98,687	6,304,679	48,521	7,442,318
Caroline	1,326,242	68,337	63,221	18,728	2,329,926	17,931	2,041,800
Carroll	4,548,520	392,533	294,560	180,077	11,816,541	90,941	10,624,280
Cecil	1,852,834	892,516	255,907	134,231	7,183,249	55,283	6,090,362
Charles	2,653,734	464,889	225,099	104,676	10,533,934	81,070	18,184,226
Dorchester	1,872,448	81,941	66,958	24,969	2,305,556	17,744	2,665,698
Frederick	8,874,073	601,117	397,749	249,570	16,722,700	128,699	11,941,375
Garrett	760,400	104,224	73,872	29,949	2,122,680	16,336	999,737
Harford	6,196,723	548,128	388,475	237,949	17,410,976	133,996	18,892,022
Howard	7,094,411	649,034	344,372	362,455	20,706,353	159,358	15,771,957
Kent	1,696,732	69,403	44,477	31,314	1,427,128	10,983	1,258,044
Montgomery	74,082,681	1,557,192	889,654	1,010,537	69,915,004	538,071	54,435,741
Prince George's	8,461,768	2,335,094	1,176,230	587,728	61,540,339	473,619	111,854,980
Queen Anne's	1,831,158	148,442	108,112	69,940	3,415,529	26,286	3,670,188
St. Mary's	1,797,315	259,079	191,376	79,028	7,592,231	58,430	11,501,020
Somerset	380,461	42,468	36,500	13,442	1,860,479	14,318	1,880,720
Talbot	11,032,648	134,464	69,949	91,240	2,685,931	20,671	2,609,485
Washington	2,748,823	423,043	287,467	103,455	10,468,454	80,566	8,362,785
Wicomico	1,594,452	164,235	184,184	78,186	7,006,376	53,922	6,208,930
Worcester	3,190,008	333,097	267,285	108,876	3,638,738	28,004	6,563,775
Total	**$220,341,403**	**$15,970,480**	**$9,030,310**	**$6,008,709**	**$411,686,522**	**$3,168,369**	**$536,264,804**

Exhibit 3.2 (continued)
Allocation of State Revenues
Fiscal 2012

County	Electronic Bingo/ Tip jars	VLTs	Domestic Corporation Filing Fees	MedEvac Surcharge	Abandoned Property	Subtotal	Property Tax	Total
Allegany	$191,398	$1,669,850	$1,013,594	$681,448	$968,850	$120,453,025	$4,610,728	$125,063,753
Anne Arundel	1,395,034	12,170,932	7,387,723	5,568,472	7,061,599	1,493,535,981	87,813,165	1,581,349,146
Baltimore City	1,587,452	13,849,680	8,406,719	3,046,279	8,035,612	1,100,500,599	46,826,951	1,147,327,550
Baltimore	2,075,475	18,107,426	10,991,159	7,166,235	10,505,965	2,078,522,138	92,027,463	2,170,549,601
Calvert	228,719	1,995,450	1,211,233	988,416	1,157,764	194,611,141	14,426,916	209,038,057
Caroline	84,524	737,428	447,617	398,142	427,857	43,102,323	3,261,888	46,364,211
Carroll	428,676	3,739,970	2,270,152	1,918,531	2,169,938	393,813,562	21,620,132	415,433,694
Cecil	260,591	2,273,519	1,380,020	1,023,100	1,319,101	154,816,038	11,893,282	166,709,319
Charles	382,146	3,334,021	2,023,742	1,504,431	1,934,406	353,028,462	18,693,965	371,722,427
Dorchester	83,640	729,715	442,935	344,364	423,382	52,412,074	3,971,379	56,383,453
Frederick	606,659	5,292,784	3,212,706	2,457,393	3,070,884	559,946,403	30,397,526	590,343,929
Garrett	77,006	671,834	407,802	361,299	389,800	52,840,354	5,846,343	58,686,698
Harford	631,628	5,510,625	3,344,935	2,553,448	3,197,276	546,786,544	29,779,802	576,566,346
Howard	751,177	6,553,622	3,978,031	2,730,794	3,802,425	888,056,087	49,467,875	937,523,962
Kent	51,773	451,690	274,175	232,740	262,072	43,929,790	3,660,914	47,590,704
Montgomery	2,536,349	22,128,305	13,431,822	8,186,981	12,838,887	3,066,239,761	184,400,375	3,250,640,136
Prince George's	2,232,536	19,477,699	11,822,911	6,791,472	11,301,000	1,738,105,290	93,276,550	1,831,381,840
Queen Anne's	123,907	1,081,025	656,179	583,440	627,213	108,074,419	9,511,741	117,586,160
St. Mary's	275,428	2,402,963	1,458,592	1,133,574	1,394,204	230,564,097	13,972,049	244,536,146
Somerset	67,494	588,847	357,429	223,161	341,650	24,089,686	2,269,622	26,359,308
Talbot	97,439	850,105	516,011	456,910	493,233	124,626,826	10,905,183	135,532,009
Washington	379,770	3,313,297	2,011,162	1,485,141	1,922,381	292,872,840	15,030,745	307,903,585
Wicomico	254,175	2,217,539	1,346,040	939,000	1,286,620	184,003,122	7,653,050	191,656,172
Worcester	132,005	1,151,671	699,062	619,653	668,202	168,186,409	20,043,764	188,230,172
Total	**$14,935,000**	**$130,300,000**	**$79,091,751**	**$51,394,423**	**$75,600,321**	**$14,013,116,970**	**$781,361,409**	**$14,794,478,380**

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

Exhibit 3.3

Per Capita Allocation of Selected State Revenues

Fiscal 2012

County	Individual Income Tax	Sales Tax	Transfer Tax	Death Taxes	Net Lottery Receipts	Property Tax	All Allocated Taxes
Allegany	$569	$589	$5	$72	$44	$62	$1,674
Anne Arundel	1,411	845	24	29	100	161	2,905
Baltimore City	644	624	11	22	145	76	1,852
Baltimore	1,263	797	16	51	106	114	2,680
Calvert	1,265	460	17	26	83	162	2,342
Caroline	602	256	10	40	62	99	1,406
Carroll	1,257	660	15	27	64	129	2,483
Cecil	667	424	13	18	60	117	1,639
Charles	1,064	818	18	18	122	125	2,493
Dorchester	609	507	13	57	82	122	1,727
Frederick	1,244	676	19	37	50	128	2,494
Garrett	659	676	26	25	33	195	1,953
Harford	1,179	590	18	25	77	121	2,339
Howard	1,887	694	39	24	54	169	3,198
Kent	902	772	18	84	62	181	2,356
Montgomery	1,949	658	32	75	55	186	3,284
Prince George's	824	688	17	10	128	107	2,102
Queen Anne's	1,204	556	28	38	76	197	2,432
St. Mary's	1,135	542	16	17	107	130	2,275
Somerset	357	140	8	14	71	86	1,001
Talbot	1,418	1,135	35	290	69	287	3,564
Washington	792	768	11	19	56	101	2,078
Wicomico	630	801	11	16	63	77	1,932
Worcester	884	1,784	49	62	127	389	3,654
Total	**$1,221**	**$702**	**$21**	**$38**	**$92**	**$134**	**$2,538**

Source: Department of Legislative Services

Exhibit 3.4
Local Wealth Calculation
Fiscal 2012

County	Population	Assessable Base	Income Base	Total Wealth Amount	Per Capita Wealth Amount	Per Capita Wealth Ranking
Allegany	74,692	$1,639,055,400	$829,810,320	$2,468,865,720	$33,054	24
Anne Arundel	544,403	34327719900	11,915,550,953	46,243,270,853	84,943	7
Baltimore City	619,493	16,259,813,500	6,619,450,768	22,879,264,268	36,932	22
Baltimore	809,941	36,149,704,100	15,311,469,450	51,461,173,550	63,537	15
Calvert	89,256	5,801,080,600	1,890,715,004	7,691,795,604	86,177	6
Caroline	32,985	1,288,823,250	387,952,715	1,676,775,965	50,834	20
Carroll	167,288	8,428,465,700	3,451,993,328	11,880,459,028	71,018	10
Cecil	101,694	4,508,673,500	1,536,437,435	6,045,110,935	59,444	17
Charles	149,130	7,605,650,000	2,704,937,146	10,310,587,146	69,138	12
Dorchester	32,640	1,436,166,700	366,139,973	1,802,306,673	55,218	18
Frederick	236,745	11,950,143,400	4,824,197,659	16,774,341,059	70,854	11
Garrett	30,051	2,022,564,065	358,946,000	2,381,510,065	79,249	8
Harford	246,489	11,553,352,900	4,780,801,966	16,334,154,866	66,267	14
Howard	293,142	19,354,019,200	7,942,051,188	27,296,070,388	93,116	4
Kent	20,204	1,320,124,100	279,641,179	1,599,765,279	79,181	9
Montgomery	989,794	72,104,979,500	25,956,875,230	98,061,854,730	99,073	3
Prince George's	871,233	39,919,877,700	12,475,906,752	52,395,784,452	60,140	16
Queen Anne's	48,354	3,512,709,600	930,600,278	4,443,309,878	91,891	5
St. Mary's	107,484	5,305,814,850	2,012,762,404	7,318,577,254	68,090	13
Somerset	26,339	716,144,000	195,009,300	911,153,300	34,593	23
Talbot	38,025	4,063,368,000	713,060,667	4,776,428,667	125,613	2
Washington	148,203	5,755,083,700	2,062,002,681	7,817,086,381	52,746	19
Wicomico	99,190	3,103,579,500	1,215,736,227	4,319,315,727	43,546	21
Worcester	51,514	7,304,998,900	755,332,062	8,060,330,962	156,469	1
Total	**5,828,289**	**$305,431,912,065**	**$109,517,380,685**	**$414,949,292,750**	**$71,196**	

Note: Total Wealth is calculated by adding together the assessable base and income base.
Source: Department of Legislative Services

Chapter 4. Comparability

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

1. State funding of employers' Social Security contributions for county teachers and librarians, formerly classified as a payment-on-behalf, has been reclassified as direct aid. Prior to 1987 the State made the Social Security payments directly to the federal government (*i.e.*, a payment-on-behalf). Now the counties make the payments and until fiscal 1994 were reimbursed by the State. Reclassifying the State Social Security payments as direct aid makes it difficult to compare the "Direct State Aid" columns in Exhibits 1.2 and 1.3 of this report to those columns in reports prior to 1989. Beginning with the 1989 *Balance Sheet* report, the ratios in Exhibits 1.4 through 1.7 have been recomputed to reflect this change.

2. The State funds various health services in the counties. They include addiction, mental health, community health, and developmentally disabled services. Both local health departments and private providers deliver the services. Prior to 1989 the health component of direct State aid included State funding of addiction and mental health services provided through the local health departments, not private organizations. Beginning in 1989, State spending for State health programs implemented at the local level is not reported as direct State aid; therefore, the health component of direct State aid in *The Balance Sheet* includes only State aid distributed through the local health formula. This affects the comparison of the ratios in Exhibits 1.2 and 1.3 with reports published prior to fiscal 1989. Beginning with the 1989 *Balance Sheet* report, the ratios in Exhibits 1.4 through 1.7 have been recomputed to reflect this change.

3. In previous *Balance Sheet* reports, the State funding of regional libraries through the library network program was classified as State aid to the jurisdictions with regional libraries. Beginning with the fiscal 1990 published report, this funding is not considered State aid. The impact on the ratios in Exhibits 1.2 and 1.3 is minimal. Beginning with the 1990 report, the ratios in Exhibits 1.4 through 1.7 have been recomputed to reflect this change.

4. Through fiscal 1995, State debt service payments for State bonds issued to fund local construction projects for schools, jails, community colleges, and other facilities were estimated on a county-by-county basis. These estimates were included with the State paid teachers' retirement costs as a payment-on-behalf. Beginning with fiscal 1996, these estimates are no longer available and not included in the State aid amounts. This affects the comparability of the "Direct State Aid and Payments-on-behalf" columns in Exhibits 1.2 and 1.3 of those reports after 1995 with previous years' reports. Beginning with the 1998 *Balance Sheet* report (reports were not published for 1996 and 1997, but the

ratios were computed), the ratios in Exhibits 1.4 through 1.7 have been recomputed to reflect this change.