The Balance Sheet

A Comparison of State Financial Assistance to State Tax Revenues Allocated to Local Governments Fiscal 2011

DEPARTMENT OF LEGISLATIVE SERVICES 2013

The Balance Sheet

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

Fiscal 2011

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

December 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

December 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 26% of total county revenues and 6% 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 Michael Sanelli and reviewed by Hiram Burch; the manuscript was prepared by Nancy Scaggs. 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/ncs
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 2011, State revenue collections allocated in *The Balance Sheet* totaled $14.0 billion, while State aid payments to local governments totaled $6.4 billion. The individual income tax accounted for 47.4% of the State revenues allocated in the report while the sales tax accounted for 27.9% of revenues.

On average, local governments received $0.46 in State aid for each $1.00 in taxes paid by county residents and businesses. This illustrates that local governments received 46% 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 37% in fiscal 2002, 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 5 jurisdictions, decreased in 5 jurisdictions, and remained relatively constant in 14 jurisdictions.

The ratios for 16 counties in fiscal 2011 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 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, 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 2011, State revenue collections allocated in *The Balance Sheet* totaled $14.0 billion, while State aid payments to local governments totaled $6.4 billion. This illustrates that local governments received approximately 46% 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 2002, 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 2011.

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 0.87 for Allegany County in 2011 indicates that for every dollar of State tax revenues allocated to Allegany County, the county received $0.87 in direct State aid. The amount of direct grants received for each $1.00 of taxes paid in fiscal 2011 ranged from $0.12 in Talbot County to $1.36 in Somerset County. Statewide, the weighted average for this measure was $0.42, and the simple average (county mean) was $0.54. 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 2011 the county received $0.92 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 2011 varied from $0.14 for Talbot County to $1.37 for Somerset County. Statewide, the weighted average was $0.46, 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 2011 for example, Allegany County's direct aid index is 2.08, indicating that Allegany County's ratio was 108% above the statewide average. Including payments-on-behalf lowers Allegany County's ratio to 2.02 or 102% 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 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

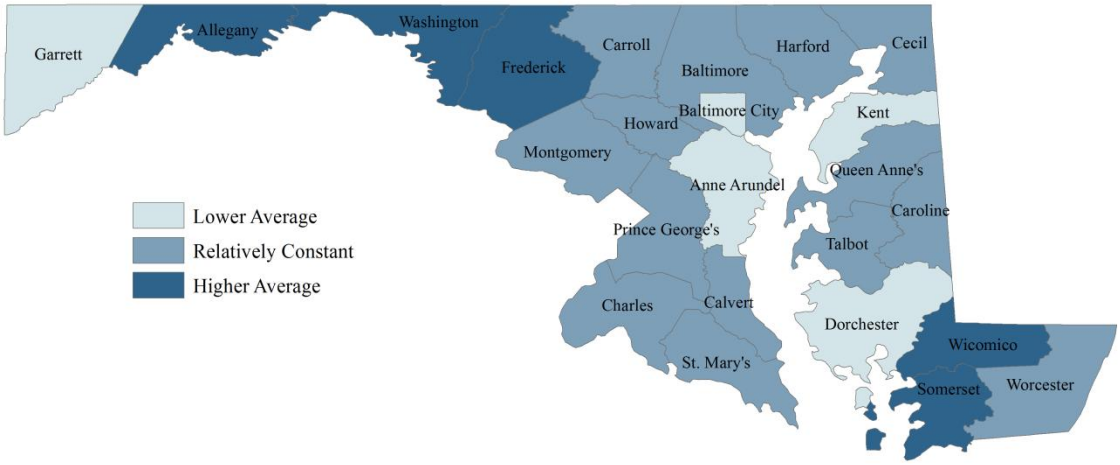
On average, local governments received $0.42 in direct State aid for each $1.00 in taxes paid by county residents and businesses. The ratios for 15 counties matched or exceeded this statewide weighted average. State aid to revenue allocation ratios for four of Maryland's largest jurisdictions (Anne Arundel, Baltimore, Howard, and Montgomery counties) were considerably below the statewide average. Moreover, the simple average, or county mean, of $0.54, calculated by summing the county ratios and dividing by 24, is somewhat higher than the statewide weighted average.

Likewise, on average local governments received $0.46 in total State aid (direct aid and payments-on-behalf) for each $1.00 in taxes paid. The ratios for 16 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 2011 (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" as a percent of the statewide average increased in 5 counties and decreased in 5 counties. For the remaining 14 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 2011 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 Baltimore City and Allegany, Caroline, Cecil, 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 2011 as measured on a per capita basis include Baltimore City and Allegany, Caroline, 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 2011

County	Allocation of Tax Revenues Excl. Property Tax	Allocation of Total Tax Revenues	Direct State Grants	Direct Grants and Payments-on-behalf
Allegany	$115,235,133	$119,647,640	$99,908,617	$110,512,328
Anne Arundel	1,398,791,803	1,491,155,755	333,964,513	410,500,519
Baltimore City	1,058,737,672	1,108,218,112	1,144,161,753	1,227,664,897
Baltimore	1,965,526,986	2,062,285,147	580,490,026	680,234,639
Calvert	183,531,685	198,762,003	90,735,215	108,406,177
Caroline	41,131,752	44,585,768	47,665,046	52,917,485
Carroll	371,012,938	393,855,574	152,299,632	179,448,378
Cecil	145,864,036	158,200,558	112,598,316	128,264,680
Charles	339,283,802	359,338,409	160,981,707	186,679,579
Dorchester	56,599,501	60,689,588	36,637,995	41,192,709
Frederick	527,880,894	560,937,340	222,758,135	261,886,465
Garrett	51,215,394	57,016,143	31,042,509	35,700,191
Harford	507,938,773	538,898,053	226,260,433	263,425,083
Howard	823,502,094	876,400,269	229,425,156	292,492,844
Kent	41,322,024	45,000,943	11,324,836	13,771,154
Montgomery	2,844,107,730	3,037,495,568	585,475,095	766,341,827
Prince George's	1,638,264,621	1,745,685,650	953,854,967	1,087,345,770
Queen Anne's	104,859,945	114,592,528	34,111,648	41,046,228
St. Mary's	217,499,461	231,526,876	99,491,440	114,774,192
Somerset	22,475,662	24,713,290	30,607,466	33,810,306
Talbot	111,969,547	123,307,435	13,774,105	17,827,674
Washington	280,116,153	294,963,511	156,257,952	176,222,939
Wicomico	180,768,683	188,880,581	125,650,438	140,315,670
Worcester	160,391,033	180,985,107	22,426,762	30,930,746
Total	**$13,188,027,320**	**$14,017,141,846**	**$5,501,903,762**	**$6,401,712,480**

Source: Department of Legislative Services

Exhibit 1.2
State Financial Assistance Received for Each $1.00 of Taxes Paid
Fiscal 2011

County	Direct Aid	Direct Aid and Payments-on-behalf
Allegany	0.87	0.92
Anne Arundel	0.24	0.28
Baltimore City	1.08	1.11
Baltimore	0.30	0.33
Calvert	0.49	0.55
Caroline	1.16	1.19
Carroll	0.41	0.46
Cecil	0.77	0.81
Charles	0.47	0.52
Dorchester	0.65	0.68
Frederick	0.42	0.47
Garrett	0.61	0.63
Harford	0.45	0.49
Howard	0.28	0.33
Kent	0.27	0.31
Montgomery	0.21	0.25
Prince George's	0.58	0.62
Queen Anne's	0.33	0.36
St. Mary's	0.46	0.50
Somerset	1.36	1.37
Talbot	0.12	0.14
Washington	0.56	0.60
Wicomico	0.70	0.74
Worcester	0.14	0.17
Total (Weighted Avg.)	**0.42**	**0.46**
County Mean (Simple Avg.)	**0.54**	**0.58**
Standard Deviation	**0.32**	**0.31**

Source: Department of Legislative Services

Exhibit 1.3
State Financial Assistance Received as a Percent of the Statewide Average
Fiscal 2011

County	Direct Aid	Direct Aid and Payments-on-behalf
Allegany	2.08	2.02
Anne Arundel	0.57	0.60
Baltimore City	2.59	2.43
Baltimore	0.71	0.72
Calvert	1.19	1.19
Caroline	2.78	2.60
Carroll	0.98	1.00
Cecil	1.85	1.78
Charles	1.14	1.14
Dorchester	1.55	1.49
Frederick	1.01	1.02
Garrett	1.45	1.37
Harford	1.07	1.07
Howard	0.67	0.73
Kent	0.66	0.67
Montgomery	0.49	0.55
Prince George's	1.40	1.36
Queen Anne's	0.78	0.78
St. Mary's	1.10	1.09
Somerset	3.26	3.00
Talbot	0.29	0.32
Washington	1.34	1.31
Wicomico	1.67	1.63
Worcester	0.34	0.37
Total (Weighted Avg.)	**1.00**	**1.00**
County Mean (Simple Avg.)	**1.29**	**1.26**
Standard Deviation	**0.77**	**0.70**

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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Allegany	0.64	0.70	0.67	0.65	0.71	0.80	0.87	0.89	0.90	0.87
Anne Arundel	0.24	0.24	0.22	0.22	0.21	0.23	0.24	0.25	0.24	0.24
Baltimore City	0.98	1.05	0.98	0.94	0.95	1.02	1.07	1.11	1.10	1.08
Baltimore	0.23	0.24	0.23	0.24	0.24	0.27	0.29	0.30	0.31	0.30
Calvert	0.44	0.46	0.46	0.45	0.46	0.49	0.52	0.51	0.51	0.49
Caroline	0.95	1.03	0.97	0.90	0.90	1.05	1.12	1.20	1.18	1.16
Carroll	0.35	0.37	0.35	0.35	0.36	0.39	0.41	0.43	0.42	0.41
Cecil	0.63	0.65	0.62	0.62	0.65	0.69	0.74	0.76	0.75	0.77
Charles	0.39	0.40	0.39	0.40	0.43	0.48	0.50	0.51	0.50	0.47
Dorchester	0.65	0.65	0.61	0.57	0.60	0.62	0.69	0.75	0.73	0.65
Frederick	0.31	0.32	0.31	0.31	0.33	0.36	0.41	0.44	0.44	0.42
Garrett	0.70	0.70	0.67	0.59	0.58	0.62	0.62	0.63	0.64	0.61
Harford	0.37	0.39	0.38	0.37	0.39	0.43	0.45	0.47	0.46	0.45
Howard	0.21	0.22	0.22	0.22	0.22	0.24	0.26	0.28	0.28	0.28
Kent	0.34	0.35	0.30	0.28	0.28	0.27	0.24	0.28	0.30	0.27
Montgomery	0.14	0.16	0.15	0.15	0.14	0.15	0.17	0.19	0.20	0.21
Prince George's	0.47	0.52	0.49	0.50	0.54	0.59	0.64	0.64	0.62	0.58
Queen Anne's	0.27	0.31	0.29	0.27	0.28	0.30	0.32	0.35	0.33	0.33
St. Mary's	0.39	0.40	0.39	0.40	0.42	0.45	0.48	0.50	0.47	0.46
Somerset	1.04	1.11	1.05	0.96	1.04	1.12	1.24	1.19	1.28	1.36
Talbot	0.11	0.10	0.12	0.12	0.11	0.12	0.11	0.12	0.12	0.12
Washington	0.37	0.38	0.36	0.36	0.39	0.46	0.52	0.55	0.56	0.56
Wicomico	0.41	0.45	0.44	0.44	0.45	0.51	0.58	0.63	0.67	0.70
Worcester	0.10	0.10	0.11	0.12	0.12	0.14	0.14	0.14	0.14	0.14
Total (Weighted Avg.)	**0.35**	**0.37**	**0.35**	**0.34**	**0.35**	**0.38**	**0.41**	**0.43**	**0.43**	**0.42**
County Mean (Simple Avg.)	**0.45**	**0.47**	**0.45**	**0.43**	**0.45**	**0.49**	**0.53**	**0.55**	**0.55**	**0.54**
Standard Deviation	**0.26**	**0.28**	**0.26**	**0.24**	**0.25**	**0.28**	**0.30**	**0.31**	**0.31**	**0.32**

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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Allegany	0.67	0.73	0.69	0.67	0.73	0.83	0.91	0.93	0.95	0.92
Anne Arundel	0.26	0.27	0.24	0.23	0.23	0.25	0.26	0.27	0.27	0.28
Baltimore City	1.01	1.08	1.00	0.95	0.96	1.03	1.09	1.12	1.12	1.11
Baltimore	0.25	0.27	0.26	0.26	0.26	0.29	0.31	0.33	0.34	0.33
Calvert	0.47	0.50	0.48	0.47	0.48	0.51	0.55	0.54	0.55	0.55
Caroline	0.99	1.07	0.99	0.92	0.91	1.06	1.14	1.21	1.21	1.19
Carroll	0.38	0.39	0.37	0.37	0.38	0.41	0.44	0.46	0.46	0.46
Cecil	0.66	0.69	0.64	0.64	0.66	0.71	0.76	0.78	0.78	0.81
Charles	0.42	0.43	0.42	0.42	0.44	0.50	0.53	0.54	0.54	0.52
Dorchester	0.67	0.68	0.63	0.59	0.61	0.63	0.71	0.76	0.76	0.68
Frederick	0.33	0.35	0.33	0.33	0.35	0.38	0.44	0.47	0.48	0.47
Garrett	0.72	0.72	0.67	0.60	0.58	0.62	0.63	0.64	0.65	0.63
Harford	0.40	0.42	0.40	0.39	0.40	0.45	0.48	0.50	0.50	0.49
Howard	0.24	0.25	0.25	0.25	0.25	0.27	0.30	0.32	0.33	0.33
Kent	0.37	0.38	0.32	0.30	0.30	0.29	0.26	0.30	0.33	0.31
Montgomery	0.17	0.19	0.19	0.18	0.17	0.18	0.20	0.22	0.25	0.25
Prince George's	0.50	0.55	0.51	0.52	0.55	0.61	0.67	0.66	0.66	0.62
Queen Anne's	0.29	0.34	0.31	0.29	0.29	0.31	0.34	0.37	0.36	0.36
St. Mary's	0.41	0.43	0.41	0.42	0.43	0.47	0.50	0.52	0.50	0.50
Somerset	1.07	1.14	1.06	0.97	1.05	1.12	1.24	1.20	1.29	1.37
Talbot	0.13	0.12	0.14	0.14	0.12	0.13	0.12	0.13	0.13	0.14
Washington	0.40	0.41	0.34	0.38	0.40	0.48	0.54	0.57	0.59	0.60
Wicomico	0.44	0.49	0.47	0.46	0.47	0.54	0.61	0.67	0.71	0.74
Worcester	0.12	0.13	0.13	0.13	0.13	0.15	0.16	0.15	0.17	0.17
Total (Weighted Avg.)	**0.37**	**0.40**	**0.37**	**0.37**	**0.37**	**0.40**	**0.43**	**0.46**	**0.47**	**0.46**
County Mean (Simple Avg.)	**0.47**	**0.50**	**0.47**	**0.45**	**0.47**	**0.51**	**0.55**	**0.57**	**0.58**	**0.58**
Standard Deviation	**0.26**	**0.28**	**0.26**	**0.24**	**0.25**	**0.28**	**0.30**	**0.30**	**0.31**	**0.31**

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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Allegany	1.84	1.89	1.90	1.87	2.02	2.09	2.11	2.08	2.09	2.08
Anne Arundel	0.70	0.66	0.63	0.63	0.60	0.61	0.59	0.57	0.56	0.57
Baltimore City	2.83	2.85	2.79	2.74	2.70	2.67	2.61	2.59	2.56	2.59
Baltimore	0.66	0.66	0.67	0.68	0.68	0.70	0.70	0.71	0.71	0.71
Calvert	1.26	1.26	1.30	1.30	1.30	1.27	1.27	1.18	1.18	1.19
Caroline	2.75	2.81	2.76	2.60	2.56	2.74	2.74	2.80	2.75	2.78
Carroll	1.01	1.00	0.99	1.02	1.02	1.03	1.00	0.99	0.98	0.98
Cecil	1.81	1.78	1.76	1.79	1.85	1.81	1.80	1.76	1.74	1.85
Charles	1.14	1.09	1.13	1.17	1.21	1.24	1.23	1.19	1.16	1.14
Dorchester	1.87	1.76	1.75	1.66	1.71	1.61	1.69	1.74	1.70	1.55
Frederick	0.89	0.87	0.88	0.90	0.94	0.95	1.00	1.03	1.02	1.01
Garrett	2.02	1.92	1.91	1.72	1.64	1.62	1.51	1.47	1.50	1.45
Harford	1.08	1.05	1.07	1.08	1.10	1.13	1.11	1.09	1.06	1.07
Howard	0.62	0.60	0.64	0.64	0.64	0.63	0.64	0.65	0.65	0.67
Kent	0.98	0.96	0.87	0.82	0.81	0.71	0.58	0.65	0.69	0.66
Montgomery	0.41	0.42	0.43	0.43	0.40	0.40	0.41	0.43	0.47	0.49
Prince George's	1.35	1.41	1.40	1.45	1.53	1.54	1.56	1.48	1.44	1.40
Queen Anne's	0.77	0.86	0.83	0.78	0.79	0.78	0.77	0.81	0.78	0.78
St. Mary's	1.12	1.08	1.11	1.15	1.18	1.17	1.16	1.15	1.09	1.10
Somerset	3.01	3.03	2.99	2.77	2.97	2.93	3.02	2.78	2.98	3.26
Talbot	0.32	0.27	0.36	0.36	0.31	0.31	0.27	0.27	0.27	0.29
Washington	1.08	1.03	1.02	1.04	1.10	1.20	1.27	1.29	1.30	1.34
Wicomico	1.18	1.24	1.25	1.27	1.27	1.33	1.41	1.47	1.55	1.67
Worcester	0.29	0.28	0.33	0.34	0.35	0.36	0.34	0.32	0.32	0.34
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.)	**1.29**	**1.28**	**1.28**	**1.26**	**1.28**	**1.28**	**1.28**	**1.27**	**1.27**	**1.29**
Standard Deviation	**0.77**	**0.78**	**0.76**	**0.71**	**0.73**	**0.74**	**0.75**	**0.73**	**0.74**	**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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Allegany	1.79	1.84	1.86	1.84	1.99	2.06	2.09	2.05	2.04	2.02
Anne Arundel	0.71	0.67	0.64	0.64	0.62	0.63	0.61	0.59	0.59	0.60
Baltimore City	2.70	2.73	2.67	2.61	2.60	2.57	2.50	2.47	2.40	2.43
Baltimore	0.68	0.68	0.69	0.70	0.70	0.71	0.71	0.73	0.73	0.72
Calvert	1.26	1.26	1.29	1.29	1.30	1.27	1.26	1.19	1.19	1.19
Caroline	2.65	2.70	2.64	2.50	2.47	2.64	2.62	2.67	2.59	2.60
Carroll	1.01	1.00	0.99	1.02	1.02	1.03	1.01	1.00	0.99	1.00
Cecil	1.77	1.73	1.71	1.74	1.78	1.75	1.75	1.71	1.68	1.78
Charles	1.13	1.09	1.12	1.16	1.20	1.23	1.22	1.18	1.16	1.14
Dorchester	1.81	1.70	1.69	1.61	1.66	1.57	1.64	1.67	1.64	1.49
Frederick	0.89	0.87	0.89	0.91	0.94	0.95	1.00	1.03	1.03	1.02
Garrett	1.93	1.83	1.80	1.64	1.56	1.55	1.44	1.40	1.41	1.37
Harford	1.08	1.05	1.07	1.07	1.10	1.13	1.11	1.10	1.07	1.07
Howard	0.66	0.64	0.68	0.68	0.67	0.67	0.69	0.70	0.70	0.73
Kent	0.98	0.97	0.87	0.81	0.81	0.71	0.60	0.66	0.70	0.67
Montgomery	0.47	0.48	0.50	0.48	0.45	0.45	0.46	0.48	0.53	0.55
Prince George's	1.33	1.38	1.38	1.42	1.50	1.52	1.53	1.45	1.41	1.36
Queen Anne's	0.78	0.86	0.83	0.78	0.80	0.78	0.78	0.81	0.78	0.78
St. Mary's	1.11	1.08	1.11	1.15	1.17	1.16	1.16	1.14	1.08	1.09
Somerset	2.87	2.88	2.84	2.65	2.83	2.79	2.86	2.63	2.77	3.00
Talbot	0.35	0.30	0.38	0.37	0.33	0.32	0.28	0.29	0.29	0.32
Washington	1.07	1.03	0.91	1.04	1.09	1.18	1.25	1.26	1.27	1.31
Wicomico	1.17	1.23	1.25	1.26	1.27	1.33	1.40	1.46	1.52	1.63
Worcester	0.32	0.32	0.35	0.36	0.36	0.37	0.36	0.34	0.36	0.37
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.)	**1.27**	**1.26**	**1.26**	**1.24**	**1.26**	**1.27**	**1.26**	**1.25**	**1.25**	**1.26**
Standard Deviation	**0.72**	**0.72**	**0.70**	**0.70**	**0.69**	**0.70**	**0.71**	**0.68**	**0.68**	**0.70**

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 2011

	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	74,984	1.3%	16	$119,647,640	0.9%	18	$110,512,328	1.7%	15
Anne Arundel	539,360	9.3%	5	1,491,155,755	10.6%	4	410,500,519	6.4%	5
Baltimore City	620,971	10.7%	4	1,108,218,112	7.9%	5	1,227,664,897	19.2%	1
Baltimore	806,274	13.9%	3	2,062,285,147	14.7%	2	680,234,639	10.6%	4
Calvert	88,944	1.5%	15	198,762,003	1.4%	13	108,406,177	1.7%	16
Caroline	33,068	0.6%	20	44,585,768	0.3%	23	52,917,485	0.8%	17
Carroll	167,253	2.9%	9	393,855,574	2.8%	9	179,448,378	2.8%	10
Cecil	101,175	1.7%	13	158,200,558	1.1%	16	128,264,680	2.0%	13
Charles	147,113	2.5%	11	359,338,409	2.6%	10	186,679,579	2.9%	9
Dorchester	32,660	0.6%	21	60,689,588	0.4%	20	41,192,709	0.6%	18
Frederick	234,220	4.0%	8	560,937,340	4.0%	7	261,886,465	4.1%	8
Garrett	30,075	0.5%	22	57,016,143	0.4%	21	35,700,191	0.6%	20
Harford	245,243	4.2%	7	538,898,053	3.8%	8	263,425,083	4.1%	7
Howard	288,607	5.0%	6	876,400,269	6.3%	6	292,492,844	4.6%	6
Kent	20,184	0.3%	24	45,000,943	0.3%	22	13,771,154	0.2%	24
Montgomery	976,006	16.9%	1	3,037,495,568	21.7%	1	766,341,827	12.0%	3
Prince George's	865,705	15.0%	2	1,745,685,650	12.5%	3	1,087,345,770	17.0%	2
Queen Anne's	47,878	0.8%	18	114,592,528	0.8%	19	41,046,228	0.6%	19
St. Mary's	105,778	1.8%	12	231,526,876	1.7%	12	114,774,192	1.8%	14
Somerset	26,490	0.5%	23	24,713,290	0.2%	24	33,810,306	0.5%	21
Talbot	37,856	0.7%	19	123,307,435	0.9%	17	17,827,674	0.3%	23
Washington	147,788	2.6%	10	294,963,511	2.1%	11	176,222,939	2.8%	11
Wicomico	98,907	1.7%	14	188,880,581	1.3%	14	140,315,670	2.2%	12
Worcester	51,459	0.9%	17	180,985,107	1.3%	15	30,930,746	0.5%	22
Total	**5,787,998**	**100.0%**		**$14,017,141,846**	**100.0%**		**$6,401,712,480**	**100.0%**	

Source: Department of Legislative Services

Exhibit 1.9

Per Capita Allocation of State Tax Revenues and State Aid – Fiscal 2011

		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	74,984	$119,647,640	$1,596	21	$110,512,328	$1,474	3
Anne Arundel	539,360	1,491,155,755	2,765	5	410,500,519	761	21
Baltimore City	620,971	1,108,218,112	1,785	20	1,227,664,897	1,977	1
Baltimore	806,274	2,062,285,147	2,558	6	680,234,639	844	19
Calvert	88,944	198,762,003	2,235	11	108,406,177	1,219	10
Caroline	33,068	44,585,768	1,348	23	52,917,485	1,600	2
Carroll	167,253	393,855,574	2,355	10	179,448,378	1,073	16
Cecil	101,175	158,200,558	1,564	22	128,264,680	1,268	7
Charles	147,113	359,338,409	2,443	7	186,679,579	1,269	6
Dorchester	32,660	60,689,588	1,858	19	41,192,709	1,261	8
Frederick	234,220	560,937,340	2,395	8	261,886,465	1,118	13
Garrett	30,075	57,016,143	1,896	18	35,700,191	1,187	12
Harford	245,243	538,898,053	2,197	13	263,425,083	1,074	15
Howard	288,607	876,400,269	3,037	4	292,492,844	1,013	17
Kent	20,184	45,000,943	2,230	12	13,771,154	682	22
Montgomery	976,006	3,037,495,568	3,112	3	766,341,827	785	20
Prince George's	865,705	1,745,685,650	2,016	15	1,087,345,770	1,256	9
Queen Anne's	47,878	114,592,528	2,393	9	41,046,228	857	18
St. Mary's	105,778	231,526,876	2,189	14	114,774,192	1,085	14
Somerset	26,490	24,713,290	933	24	33,810,306	1,276	5
Talbot	37,856	123,307,435	3,257	2	17,827,674	471	24
Washington	147,788	294,963,511	1,996	16	176,222,939	1,192	11
Wicomico	98,907	188,880,581	1,910	17	140,315,670	1,419	4
Worcester	51,459	180,985,107	3,517	1	30,930,746	601	23
Total	**5,787,998**	**$14,017,141,846**	**$2,422**		**$6,401,712,480**	**$1,106**	

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 $6.6 billion in fiscal 2011. 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 2011, 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 $5.7 billion in State operational grants in fiscal 2011, while county and municipal governments received $380.6 million. The remaining 5.6% was distributed to local libraries, community colleges, and local health departments. These entities received $360.4 million in fiscal 2011. In addition, the State assumption of functions in Baltimore City has increased from $111.3 million in fiscal 2001 to $160.7 million in fiscal 2011. **Exhibit 2.1** compares the allocation of State aid by governmental entity in fiscal 2001 and 2011.

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

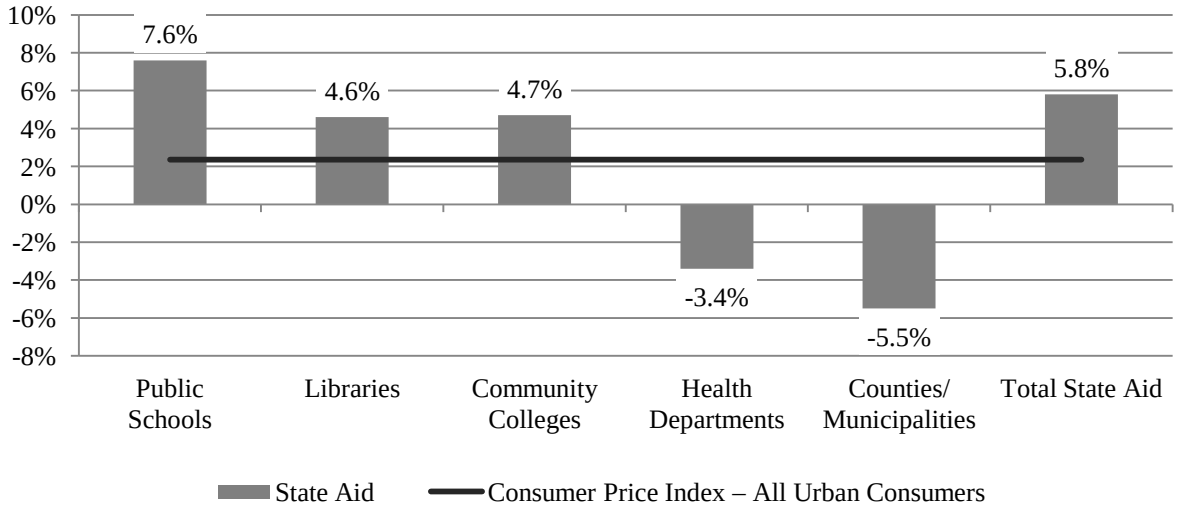
Entity	FY 2001	Percent of Total	FY 2011	Percent of Total
Public Schools	$2,735.8	74.7%	$5,714.9	88.5%
County/Municipal	670.6	18.3%	380.6	5.9%
Community Colleges	163.2	4.5%	258.1	4.0%
Health	52.5	1.4%	37.3	0.6%
Libraries	41.3	1.1%	65.0	1.0%
Subtotal	**$3,663.5**	**100.0%**	**$6,455.8**	**100.0%**
Assumed Functions	111.3		160.7	
Total	**$3,774.7**		**$6,616.6**	

Source: Department of Legislative Services

Change in State Aid

Over the last 10 years, State aid to local governments has increased by $2.8 billion, which represents a 5.8% 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 2001-2011



Reliance on State Aid

State aid is the largest revenue source for most county governments in Maryland, representing 26.2% 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 Montgomery County but reaches 50.1% in Somerset County.

State aid is the fourth largest revenue source for municipalities, representing 5.9% 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 $72.9 million in fiscal 2011 to operate the Baltimore City Detention Center and $47.0 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 2011, local community colleges received 22.0% of their operating funding from the State and 26.9% 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 $40.9 million in fiscal 2011.

Allocation of State Financial Assistance

State financial assistance reported in *The Balance Sheet* for fiscal 2011 totals $6.4 billion representing $5.3 billion in direct State grants, $899.8 million in retirement payments made by the State on behalf of the counties, and $160.7 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 2.4% of total State aid to local governments in fiscal 2011. This percentage is low relative to recent prior years, due primarily to a significant reduction in highway user revenues to local governments in fiscal 2011. **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 2011 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 2001	FY 2006	FY 2011
Highway User Revenues	$435.3	$538.4	$139.3
Elderly/Disabled Transportation	3.2	4.5	4.4
Para-Transit Services	2.0	2.5	3.0
911 Emergency Communications	3.4	12.9	13.4
Vehicle Theft Prevention	2.6	1.7	1.7
Total	**$446.6**	**$560.1**	**$161.8**
Percent of State Aid	11.8%	10.6%	2.4%

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 2011

	Total State Aid		State Aid in *Balance Sheet*		Percent of
County	**Amount**	**Per Capita**	**Amount**	**Per Capita**	**Total State Aid**
Allegany	$111,006,641	$1,480	$110,512,328	$1,474	99.6%
Anne Arundel	412,698,600	765	410,500,519	761	99.5%
Baltimore City	1,358,234,544	2,187	1,227,664,897	1,977	90.4%
Baltimore	685,949,911	851	680,234,639	844	99.2%
Calvert	108,869,767	1,224	108,406,177	1,219	99.6%
Caroline	53,232,297	1,610	52,917,485	1,600	99.4%
Carroll	180,069,878	1,077	179,448,378	1,073	99.7%
Cecil	130,524,021	1,290	128,264,680	1,268	98.3%
Charles	187,873,248	1,277	186,679,579	1,269	99.4%
Dorchester	41,529,860	1,272	41,192,709	1,261	99.2%
Frederick	263,536,881	1,125	261,886,465	1,118	99.4%
Garrett	37,262,536	1,239	35,700,191	1,187	95.8%
Harford	264,217,503	1,077	263,425,083	1,074	99.7%
Howard	294,855,495	1,022	292,492,844	1,013	99.2%
Kent	14,016,330	694	13,771,154	682	98.3%
Montgomery	768,392,110	787	766,341,827	785	99.7%
Prince George's	1,088,807,488	1,258	1,087,345,770	1,256	99.9%
Queen Anne's	41,349,813	864	41,046,228	857	99.3%
St. Mary's	116,283,825	1,099	114,774,192	1,085	98.7%
Somerset	34,121,089	1,288	33,810,306	1,276	99.1%
Talbot	18,745,462	495	17,827,674	471	95.1%
Washington	177,737,434	1,203	176,222,939	1,192	99.1%
Wicomico	141,681,468	1,432	140,315,670	1,419	99.0%
Worcester	32,280,761	627	30,930,746	601	95.8%
Unallocated	53,315,506	9	0	0	0.0%
Total	**$6,616,592,468**	**$1,143**	**$6,401,712,480**	**$1,106**	**96.8%**

Source: Department of Legislative Services

In fiscal 2011, 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 $1,977 for Baltimore City (the greatest per capita amount for any jurisdiction) and $1,256 for Prince George's County. Kent and Talbot counties, in contrast, received the least amount of State aid at $13.8 million and $17.8 million, respectively. On a per capita basis, Kent County received $682 while Talbot County received $471 – 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 2011

County	Education	Libraries	Community Colleges	Health	County/ Municipal	Retirement Payments	Assumed Functions	Total
Allegany	$84,104,554	$757,955	$5,898,289	$908,719	$8,239,100	$10,603,711	$0	$110,512,328
Anne Arundel	293,093,082	1,912,968	28,694,471	3,141,951	7,122,041	76,536,006	0	410,500,519
Baltimore City	875,195,897	6,461,487	0	6,675,053	95,079,795	83,503,144	160,749,521	1,227,664,897
Baltimore	525,371,453	5,249,129	36,335,093	4,302,255	9,232,096	99,744,613	0	680,234,639
Calvert	86,951,123	401,928	2,124,259	369,812	888,093	17,670,962	0	108,406,177
Caroline	42,758,243	273,457	1,459,647	538,253	2,635,446	5,252,439	0	52,917,485
Carroll	141,004,668	981,986	7,409,402	1,231,995	1,671,581	27,148,746	0	179,448,378
Cecil	100,239,757	716,836	5,251,769	806,392	5,583,562	15,666,364	0	128,264,680
Charles	150,771,790	791,076	7,041,276	994,528	1,383,037	25,697,872	0	186,679,579
Dorchester	32,145,526	243,900	1,258,572	428,709	2,561,288	4,554,714	0	41,192,709
Frederick	209,209,562	1,139,508	8,667,290	1,512,159	2,229,616	39,128,330	0	261,886,465
Garrett	24,522,666	154,609	3,343,142	437,403	2,584,689	4,657,682	0	35,700,191
Harford	210,055,715	1,548,086	10,239,750	1,737,473	2,679,409	37,164,650	0	263,425,083
Howard	209,938,239	769,986	13,900,529	1,215,070	3,601,332	63,067,688	0	292,492,844
Kent	9,921,985	95,804	578,469	335,941	392,637	2,446,318	0	13,771,154
Montgomery	525,581,416	2,661,904	40,820,544	3,014,680	13,396,551	180,866,732	0	766,341,827
Prince George's	880,482,129	5,647,600	22,412,414	5,007,057	40,305,767	133,490,803	0	1,087,345,770
Queen Anne's	31,372,012	131,855	1,608,868	417,744	581,169	6,934,580	0	41,046,228
St. Mary's	94,705,126	623,940	2,392,074	808,576	961,724	15,282,752	0	114,774,192
Somerset	23,877,961	263,228	698,626	429,385	5,338,266	3,202,840	0	33,810,306
Talbot	11,344,205	101,402	1,401,705	328,705	598,088	4,053,569	0	17,827,674
Washington	144,410,735	1,127,727	7,856,864	1,381,306	1,481,320	19,964,987	0	176,222,939
Wicomico	115,568,769	837,992	4,678,886	947,374	3,617,417	14,665,232	0	140,315,670
Worcester	18,067,881	137,967	1,866,549	312,944	2,041,421	8,503,984	0	30,930,746
Total	**$4,840,694,494**	**$33,032,330**	**$215,938,488**	**$37,283,484**	**$214,205,445**	**$899,808,718**	**$160,749,521**	**$6,401,712,480**

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 2011

County	Education	Libraries	Community Colleges	Health	County/ Municipal	Retirement Payments	Assumed Functions	Total
Allegany	$1,122	$10	$79	$12	$110	$141	0	$1,474
Anne Arundel	543	4	53	6	13	142	0	761
Baltimore City	1,409	10	0	11	153	134	259	1,977
Baltimore	652	7	45	5	11	124	0	844
Calvert	978	5	24	4	10	199	0	1,219
Caroline	1,293	8	44	16	80	159	0	1,600
Carroll	843	6	44	7	10	162	0	1,073
Cecil	991	7	52	8	55	155	0	1,268
Charles	1,025	5	48	7	9	175	0	1,269
Dorchester	984	7	39	13	78	139	0	1,261
Frederick	893	5	37	6	10	167	0	1,118
Garrett	815	5	111	15	86	155	0	1,187
Harford	857	6	42	7	11	152	0	1,074
Howard	727	3	48	4	12	219	0	1,013
Kent	492	5	29	17	19	121	0	682
Montgomery	539	3	42	3	14	185	0	785
Prince George's	1,017	7	26	6	47	154	0	1,256
Queen Anne's	655	3	34	9	12	145	0	857
St. Mary's	895	6	23	8	9	144	0	1,085
Somerset	901	10	26	16	202	121	0	1,276
Talbot	300	3	37	9	16	107	0	471
Washington	977	8	53	9	10	135	0	1,192
Wicomico	1,168	8	47	10	37	148	0	1,419
Worcester	351	3	36	6	40	165	0	601
Total	**$836**	**$6**	**$37**	**$6**	**$37**	**$155**	**$28**	**$1,106**

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 $14.0 billion in fiscal 2011. 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 2011, 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 $6.6 billion or 47.4% 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 $3,517 per resident followed by Talbot County at $3,257 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 $933 per resident. In terms of the individual income tax, Montgomery County generated the most per capita at $1,823 followed by Howard County at $1,754 per resident. In comparison, Somerset County contributed the least per capita at $354 while Allegany and Caroline counties generate $563 and $579, 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	**Fiscal 2001**	**Fiscal 2006**	**FY 2011**
Individual Income Tax	52.6%	48.7%	47.4%
Sales Tax	27.3%	26.7%	27.9%
Property Tax	2.6%	4.6%	5.9%
Transfer Tax	1.1%	2.1%	0.8%
Death Taxes	1.9%	1.8%	1.7%
Subtotal	**85.5%**	**83.9%**	**83.8%**
County Sales			
Net Lottery Receipts	3.9%	3.8%	3.6%
Liquor Tax	0.1%	0.1%	0.1%
Beer Tax	0.1%	0.1%	0.1%
Wine Tax	0.0%	< 0.1%	< 0.1%
Subtotal	**4.2%**	**4.0%**	**3.7%**
Utility Revenues			
Gross Receipts Tax	**1.4%**	**1.0%**	**0.9%**
Population			
Corporate Income Tax	3.8%	5.1%	4.4%
Tobacco Tax	2.1%	2.2%	2.9%
Insurance Tax	1.9%	2.2%	2.1%
Abandoned Property	0.4%	0.7%	0.6%
Corporate Filing Fees	0.1%	0.5%	0.6%
VLT Revenues	0.0%	0.0%	0.5%
Electronic Bingo/Tip Jars	0.0%	0.0%	0.1%
Horse Racing Tax	0.0%	< 0.1%	< 0.1%
Net Earnings Tax	0.1%	0.0%	< 0.1%
Subtotal	**8.5%**	**10.7%**	**11.1%**
Vehicle Registration			
Medevac Surcharge	**0.4%**	**0.4%**	**0.4%**
Total Taxes Allocated	**100.0%**	**100.0%**	**100.0%**

Source: Department of Legislative Services

Exhibit 3.2

Allocation of State Revenues

Fiscal 2011

County	Individual Income Tax	Corporate Income Tax	Gross Receipts Tax	Net Earnings Tax	Sales Tax	Insurance Tax	Transfer Tax
Allegany	$42,246,929	$8,004,326	$1,912,008	-$191	$44,022,695	$3,736,430	$501,471
Anne Arundel	712,876,855	57,575,129	12,396,066	-1,375	434,689,185	26,876,143	12,508,185
Baltimore City	377,721,355	66,286,869	15,312,840	-1,583	374,799,290	30,942,794	6,271,179
Baltimore	943,227,815	86,067,431	18,849,970	-2,056	634,946,924	40,176,385	10,808,809
Calvert	107,208,290	9,494,516	1,546,237	-227	39,007,590	4,432,052	1,637,092
Caroline	19,156,688	3,529,914	826,310	-84	8,252,012	1,647,768	362,984
Carroll	196,723,908	17,853,777	3,297,339	-426	106,199,970	8,334,166	2,178,777
Cecil	64,564,596	10,800,140	2,373,116	-258	40,578,305	5,041,519	1,414,015
Charles	152,846,724	15,703,890	2,687,028	-375	119,456,127	7,330,596	2,974,819
Dorchester	18,943,779	3,486,361	917,654	-83	15,757,162	1,627,438	545,218
Frederick	279,446,959	25,002,311	6,700,653	-597	153,473,847	11,671,111	4,876,897
Garrett	19,208,096	3,210,420	758,555	-77	20,289,501	1,498,628	862,375
Harford	272,070,186	26,178,985	5,051,145	-625	138,233,313	12,220,383	4,889,763
Howard	506,081,009	30,807,967	6,826,519	-736	197,881,989	14,381,198	9,736,829
Kent	15,912,706	2,154,584	458,936	-51	14,124,163	1,005,763	382,188
Montgomery	1,778,946,573	104,185,834	21,992,593	-2,489	611,610,420	48,634,079	29,175,118
Prince George's	689,807,848	92,411,519	18,257,704	-2,207	555,588,647	43,137,814	16,943,674
Queen Anne's	54,755,535	5,110,839	973,465	-122	25,620,448	2,385,746	1,215,397
St. Mary's	115,894,830	11,291,497	1,880,780	-270	56,830,543	5,270,885	1,694,806
Somerset	9,382,438	2,827,731	444,524	-68	3,717,215	1,319,989	185,843
Talbot	49,768,960	4,041,019	619,770	-97	41,244,918	1,886,353	1,452,127
Washington	112,268,004	15,775,944	2,976,912	-377	108,734,806	7,364,231	1,699,810
Wicomico	61,292,628	10,558,038	2,493,905	-252	79,044,065	4,928,505	911,345
Worcester	43,076,178	5,493,100	2,008,749	-131	86,928,982	2,564,186	3,214,079
Total	**$6,643,428,887**	**$617,852,142**	**$131,562,776**	**-$14,758**	**$3,911,032,115**	**$288,414,159**	**$116,442,803**

Exhibit 3.2 (continued)

Allocation of State Revenues

Fiscal 2011

County	Death Taxes	Liquor Tax	Beer Tax	Wine Tax	Tobacco Tax	Horse Racing Tax	Net Lottery Receipts
Allegany	$1,936,802	$190,645	$167,212	$39,812	$5,283,177	$45,334	$3,274,400
Anne Arundel	20,192,836	1,690,778	1,027,125	835,672	38,001,898	326,089	51,270,735
Baltimore City	24,917,681	2,055,369	1,110,687	545,702	43,751,996	375,429	85,136,649
Baltimore	47,336,460	2,199,922	1,219,153	866,888	56,807,962	487,461	81,036,876
Calvert	1,522,829	242,759	166,481	93,290	6,266,762	53,774	7,086,590
Caroline	1,082,542	68,838	63,015	17,173	2,329,885	19,992	1,969,585
Carroll	4,630,896	370,661	293,197	169,993	11,784,210	101,119	10,039,550
Cecil	1,362,662	1,053,385	260,237	133,215	7,128,527	61,169	5,763,554
Charles	2,525,653	444,439	223,652	100,565	10,365,198	88,942	16,770,066
Dorchester	8,578,740	79,646	64,049	24,591	2,301,138	19,746	2,519,588
Frederick	5,847,320	562,108	387,693	231,928	16,502,530	141,606	10,609,884
Garrett	414,274	100,951	67,784	28,514	2,119,006	18,183	998,238
Harford	726,924	525,967	394,579	227,040	17,279,182	148,270	17,001,589
Howard	7,033,721	625,279	346,159	342,675	20,334,496	174,487	13,912,603
Kent	3,380,449	67,466	42,280	30,960	1,422,112	12,203	1,236,629
Montgomery	77,668,127	1,530,699	896,412	1,005,315	68,766,836	590,078	49,358,465
Prince George's	10,127,514	2,234,458	1,187,562	573,463	60,995,315	523,392	102,816,207
Queen Anne's	5,068,182	144,452	104,865	68,746	3,373,359	28,946	3,389,590
St. Mary's	689,506	242,678	188,654	75,021	7,452,842	63,952	10,288,104
Somerset	-449,428	43,990	37,177	12,065	1,866,416	16,015	1,720,540
Talbot	5,501,639	131,163	68,007	89,199	2,667,235	22,887	2,408,761
Washington	4,681,069	403,976	292,198	96,736	10,412,757	89,350	7,544,554
Wicomico	2,534,484	161,365	187,970	78,232	6,968,729	59,798	6,400,053
Worcester	3,017,985	403,934	268,602	108,258	3,625,667	31,111	6,841,188
Total	**$240,328,867**	**$15,574,931**	**$9,064,749**	**$5,795,054**	**$407,807,237**	**$3,499,333**	**$499,394,000**

Exhibit 3.2 (continued)

Allocation of State Revenues

Fiscal 2011

County	Electronic Bingo/ Tip jars	VLTs	Domestic Corporation Filing Fees	Medevac Surcharge	Abandoned Property	Subtotal	Property Tax	Total
Allegany	$184,802	$894,502	$1,004,190	$674,698	$1,115,890	$115,235,133	$4,412,507	$119,647,640
Anne Arundel	1,329,283	6,434,155	7,223,139	5,513,310	8,026,595	1,398,791,803	92,363,952	1,491,155,755
Baltimore City	1,530,418	7,407,712	8,316,078	3,016,102	9,241,106	1,058,737,672	49,480,440	1,108,218,112
Baltimore	1,987,108	9,618,236	10,797,665	7,095,246	11,998,730	1,965,526,986	96,758,161	2,062,285,147
Calvert	219,208	1,061,034	1,191,143	978,625	1,323,638	183,531,685	15,230,318	198,762,003
Caroline	81,498	394,476	442,848	394,198	492,108	41,131,752	3,454,016	44,585,768
Carroll	412,204	1,995,201	2,239,861	1,899,526	2,489,009	371,012,938	22,842,636	393,855,574
Cecil	249,352	1,206,941	1,354,941	1,012,965	1,505,656	145,864,036	12,336,522	158,200,558
Charles	362,568	1,754,946	1,970,145	1,489,528	2,189,292	339,283,802	20,054,607	359,338,409
Dorchester	80,492	389,609	437,385	340,953	486,036	56,599,501	4,090,087	60,689,588
Frederick	577,248	2,794,067	3,136,687	2,433,050	3,485,592	527,880,894	33,056,446	560,937,340
Garrett	74,122	358,772	402,766	357,720	447,567	51,215,394	5,800,749	57,016,143
Harford	604,415	2,925,563	3,284,308	2,528,154	3,649,633	507,938,773	30,959,280	538,898,053
Howard	711,288	3,442,862	3,865,041	2,703,743	4,294,964	823,502,094	52,898,175	876,400,269
Kent	49,745	240,780	270,305	230,435	300,372	41,322,024	3,678,919	45,000,943
Montgomery	2,405,422	11,643,010	13,070,726	8,105,880	14,524,631	2,844,107,730	193,387,838	3,037,495,568
Prince George's	2,133,579	10,327,203	11,593,569	6,724,196	12,883,164	1,638,264,621	107,421,029	1,745,685,650
Queen Anne's	117,998	571,148	641,185	577,660	712,506	104,859,945	9,732,583	114,592,528
St. Mary's	260,696	1,261,851	1,416,585	1,122,345	1,574,157	217,499,461	14,027,415	231,526,876
Somerset	65,286	316,006	354,756	220,950	394,216	22,475,662	2,237,628	24,713,290
Talbot	93,298	451,593	506,970	452,384	563,362	111,969,547	11,337,888	123,307,435
Washington	364,232	1,762,999	1,979,185	1,470,430	2,199,337	280,116,153	14,847,358	294,963,511
Wicomico	243,762	1,179,885	1,324,568	929,698	1,471,905	180,768,683	8,111,898	188,880,581
Worcester	126,824	613,867	689,142	613,515	765,798	160,391,033	20,594,074	180,985,107
Total	**$14,264,848**	**$69,046,418**	**$77,513,185**	**$50,885,310**	**$86,135,265**	**$13,188,027,320**	**$829,114,526**	**$14,017,141,846**

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

Exhibit 3.3

Per Capita Allocation of Selected State Revenues

Fiscal 2011

County	Individual Income Tax	Sales Tax	Transfer Tax	Death Taxes	Net Lottery Receipts	Property Tax	All Allocated Taxes
Allegany	$563	$587	$7	$26	$44	$59	$1,596
Anne Arundel	1,322	806	23	37	95	171	2,765
Baltimore City	608	604	10	40	137	80	1,785
Baltimore	1,170	788	13	59	101	120	2,558
Calvert	1,205	439	18	17	80	171	2,235
Caroline	579	250	11	33	60	104	1,348
Carroll	1,176	635	13	28	60	137	2,355
Cecil	638	401	14	13	57	122	1,564
Charles	1,039	812	20	17	114	136	2,443
Dorchester	580	482	17	263	77	125	1,858
Frederick	1,193	655	21	25	45	141	2,395
Garrett	639	675	29	14	33	193	1,896
Harford	1,109	564	20	3	69	126	2,197
Howard	1,754	686	34	24	48	183	3,037
Kent	788	700	19	167	61	182	2,230
Montgomery	1,823	627	30	80	51	198	3,112
Prince George's	797	642	20	12	119	124	2,016
Queen Anne's	1,144	535	25	106	71	203	2,393
St. Mary's	1,096	537	16	7	97	133	2,189
Somerset	354	140	7	-17	65	84	933
Talbot	1,315	1,090	38	145	64	300	3,257
Washington	760	736	12	32	51	100	1,996
Wicomico	620	799	9	26	65	82	1,910
Worcester	837	1,689	62	59	133	400	3,517
Total	**$1,148**	**$676**	**$20**	**$42**	**$86**	**$143**	**$2,422**

Source: Department of Legislative Services

Exhibit 3.4

Local Wealth Calculation

Fiscal 2011

County	Population	Assessable Base	Income Base	Total Wealth Amount	Per Capita Wealth Amount	Per Capita Wealth Ranking
Allegany	74,984	$1,519,088,200	$849,630,361	$2,368,718,561	$31,590	24
Anne Arundel	539,360	35,087,085,600	12,196,309,062	47,283,394,662	87,666	6
Baltimore City	620,971	15,810,959,100	6,786,584,401	22,597,543,501	36,391	22
Baltimore	806,274	36,126,356,600	16,156,490,904	52,282,847,504	64,845	15
Calvert	88,944	5,647,356,700	1,883,501,997	7,530,858,697	84,670	7
Caroline	33,068	1,295,962,000	398,574,303	1,694,536,303	51,244	20
Carroll	167,253	8,901,688,400	3,513,406,227	12,415,094,627	74,229	11
Cecil	101,175	4,535,871,300	1,577,713,640	6,113,584,940	60,426	16
Charles	147,113	8,050,955,600	2,663,838,539	10,714,794,139	72,834	12
Dorchester	32,660	1,431,302,500	390,026,670	1,821,329,170	55,766	18
Frederick	234,220	12,834,592,600	4,932,161,895	17,766,754,495	75,855	9
Garrett	30,075	1,901,668,700	367,570,354	2,269,239,054	75,453	10
Harford	245,243	11,532,345,100	4,881,601,764	16,413,946,864	66,929	14
Howard	288,607	20,156,341,900	7,981,766,741	28,138,108,641	97,496	4
Kent	20,184	1,296,016,200	318,186,263	1,614,202,463	79,974	8
Montgomery	976,006	75,489,243,600	26,807,752,310	102,296,995,910	104,812	3
Prince George's	865,705	39,858,387,100	12,242,352,902	52,100,740,002	60,183	17
Queen Anne's	47,878	3,634,570,400	984,398,085	4,618,968,485	96,474	5
St. Mary's	105,778	5,186,447,300	1,898,766,481	7,085,213,781	66,982	13
Somerset	26,490	713,410,300	203,780,418	917,190,718	34,624	23
Talbot	37,856	4,067,674,900	812,103,985	4,879,778,885	128,904	2
Washington	147,788	6,021,036,700	2,170,611,635	8,191,648,335	55,428	19
Wicomico	98,907	3,140,071,400	1,276,073,136	4,416,144,536	44,649	21
Worcester	51,459	7,752,589,500	837,595,843	8,590,185,343	166,933	1
Total	**5,787,998**	**$311,991,021,700**	**$112,130,797,916**	**$424,121,819,616**	**$73,276**	

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.