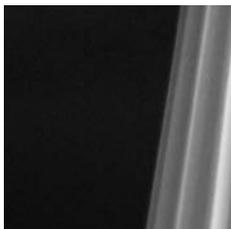
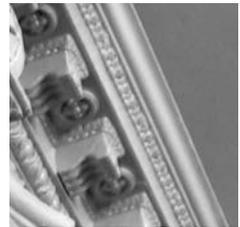
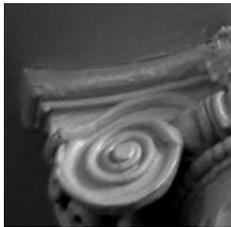
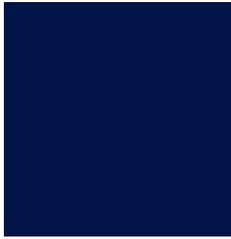


Maryland Local Government



Volume VI

MARYLAND GENERAL ASSEMBLY 2006

Maryland Local Government

**Legislative Handbook Series
Volume VI
2006**

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Foreword

Local governments in Maryland have evolved significantly since the colonial era when they primarily functioned as administrative arms of the State. Through the subsequent granting of home rule powers, county and municipal governments have been able to enact laws that address the unique needs and challenges confronting their citizens. Whether it is considering public local laws or altering State aid formulas, the General Assembly deliberates numerous issues affecting local governments and their finances each legislative session. It is imperative that the General Assembly understand the existing political and financial structure of local governments so that the impact of such legislation can be thoroughly considered.

This is the sixth in a series of eight volumes of the 2006 Legislative Handbook Series prepared prior to the start of the General Assembly term by the staff of the Office of Policy Analysis, Department of Legislative Services. In previous handbook series, the subjects of local government structure and powers, and local government revenues and State and federal aid have been addressed in two separate volumes. With this handbook series, however, these subjects are being combined into one volume to provide a better understanding of the structures, powers, and finances of local governments in Maryland and the General Assembly's role in relation to local governments.

This volume is divided into twenty chapters. Chapter one provides a brief history and profile of each county, as well as selected demographic information for the counties and municipal corporations. Chapter two details the various forms of county government. Chapter three provides an overview of municipal corporations and their constitutional and statutory authority. Chapter four explains the structure and authority of special taxing districts and regional and bi-county agencies. To aid the reader in understanding the significance of local governments, Chapter five discusses the inter-relationship between the State and local governments. Chapter six provides an overview on county and municipal expenditures while Chapter seven provides an overview on county and municipal revenues. A discussion on local taxing authority and the various taxes and revenues imposed by county and municipal governments is provided in Chapter eight. Chapters nine through seventeen provide information on the various State aid programs that assist local governments, while Chapter eighteen provides an overview on federal aid. A discussion on local indebtedness is provided in Chapter nineteen and an overview on the State assumption of local functions is provided in Chapter twenty.

Laura Lodge, Melanie Santiago-Mosier, and Dana Tagalicod prepared the chapters relating to local government structure and powers. Ned Cheston, Mark Collins, Scott Kennedy, Jonathan Martin, Alison Mitchell, Amanda Mock, Jim Stoops, Joshua Watters, and Susan Werthan prepared the chapters pertaining to local government finances, with

Gail Renborg-Wood contributing to the development of data. Hiram Burch and Joshua Watters coordinated the development of this volume while Hiram Burch, Rachel Hise, Ted King, and John Rixey reviewed the analysis. A special thanks is provided to Mary La Valley, Mya Pierce, and Nicole Symonds who prepared and finalized the manuscript.

The Department of Legislative Services trusts that this information will be of use to those interested in learning more about the structure, powers, and finances of local governments in Maryland.

Karl S. Aro
Executive Director
Department of Legislative Services
Maryland General Assembly

Annapolis, Maryland
November 2006

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Chapter 1. Overview of Local Government in Maryland

When Lord Calvert and his group of English settlers landed on St. Clement's Island in 1634, they brought with them the familiar forms of English government, which included governance on the local level in counties and villages. The settlers immediately set about establishing civil boundaries as they had known them in England with the establishment of St. Mary's City. Just three years later, in 1637, the settlers established St. Mary's County. Since that time, local government has evolved, changing as the times and needs of local communities have changed. Likewise, the law governing local government has developed to address such change. The differences among local governments and the relationship among different levels of government may be best understood in this historical context.

There is no mention of local government in the U.S. Constitution, and local governments are generally considered creatures of the state. Yet often it is with their local government that citizens most closely identify. In terms of types and number of local governments, Maryland's structure is relatively simple. The U.S. Census Bureau identifies 265 local governments in Maryland, including 23 counties, Baltimore City, 156 municipal corporations, and 85 special taxing districts. There are 87,525 local governments throughout the United States. Maryland ranks forty-sixth among the states in terms of the number of local governments. Exhibit 1.1 summarizes the number of local governments in each state. A map of Maryland showing each county and county seat is depicted in Exhibit 1.2.

This chapter provides a brief history and profile of each county, as well as selected demographic information. A more detailed explanation of the structure and powers of each type of local government is provided in later chapters.

History and Development of Maryland's Counties and Baltimore City

Like other states south of the Mason-Dixon line, Maryland has depended on county government as the primary provider of local government services. States to the north have traditionally relied more on townships; counties, where they existed, played a secondary role.

Exhibit 1.1
Number of Local Governments in the United States by Type

Rank	State	Total	County	Municipal	Town or Township	Special Purpose
1	Illinois	6,903	102	1,291	1,431	4,079
2	Pennsylvania	5,031	66	1,018	1,546	2,401
3	Texas	4,784	254	1,196	0	3,334
4	California	4,409	57	475	0	3,877
5	Kansas	3,887	104	627	1,299	1,857
6	Ohio	3,636	88	942	1,308	1,298
7	Minnesota	3,482	87	854	1,793	748
8	Missouri	3,422	114	946	312	2,050
9	New York	3,420	57	616	929	1,818
10	Indiana	3,085	91	567	1,008	1,419
11	Wisconsin	3,048	72	585	1,265	1,126
12	Michigan	2,804	83	533	1,242	946
13	Nebraska	2,791	93	531	446	1,721
14	North Dakota	2,735	53	360	1,332	990
15	Iowa	1,975	99	948	0	928
16	Colorado	1,928	62	270	0	1,596
17	South Dakota	1,866	66	308	940	552
18	Oklahoma	1,798	77	590	0	1,131
19	Washington	1,787	39	279	0	1,469
20	Arkansas	1,588	75	499	0	1,014
21	Georgia	1,448	156	531	0	761
22	Kentucky	1,439	119	424	0	896
23	Oregon	1,439	36	240	0	1,163
24	New Jersey	1,412	21	324	242	825
25	Florida	1,191	66	404	0	721
26	Alabama	1,171	67	451	0	653
27	Idaho	1,158	44	200	0	914
28	Montana	1,127	54	129	0	944
29	Mississippi	1,000	82	296	0	622
30	North Carolina	960	100	541	0	319

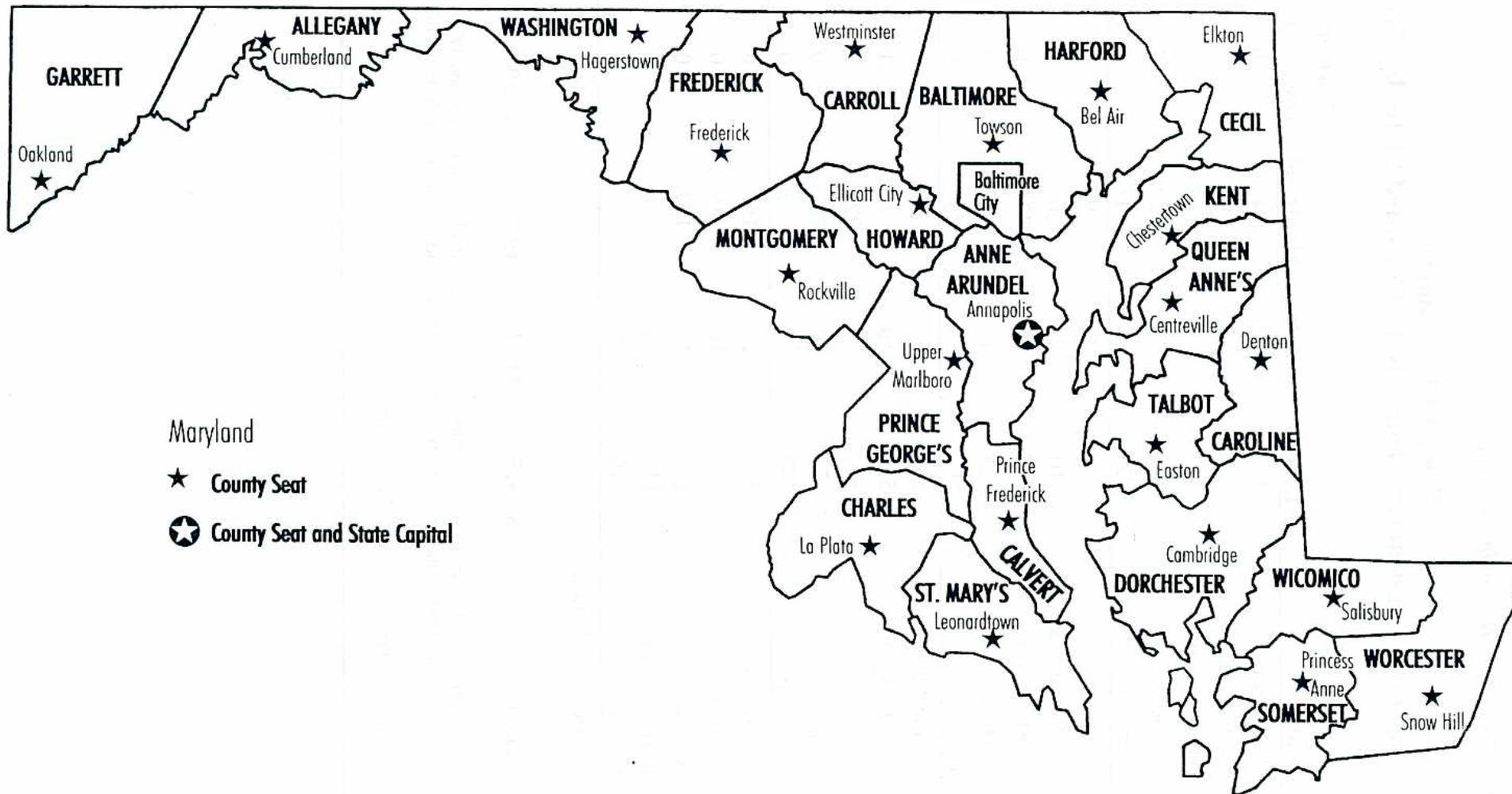
Exhibit 1.1 (continued)
Number of Local Governments in the United States by Type

Rank	State	Total	County	Municipal	Town or Township	Special Purpose
31	Tennessee	930	92	349	0	489
32	New Mexico	858	33	101	0	724
33	Massachusetts	841	5	45	306	485
34	Maine	826	16	22	467	321
35	Vermont	733	14	47	237	435
36	Wyoming	722	23	98	0	601
37	South Carolina	701	46	269	0	386
38	West Virginia	686	55	234	0	397
39	Arizona	638	15	87	0	536
40	Utah	605	29	236	0	340
41	Connecticut	580	0	30	149	401
42	New Hampshire	559	10	13	221	315
43	Virginia	521	95	229	0	197
44	Louisiana	473	60	302	0	111
45	Delaware	339	3	57	0	279
46	Maryland	265	23	157	0	85
47	Nevada	210	16	19	0	175
48	Alaska	175	12	149	0	14
49	Rhode Island	118	0	8	31	79
50	Hawaii	19	3	1	0	15
51	District of Columbia	2	0	1	0	1
	United States	87,525	3,034	19,429	16,504	48,558

Note: Beginning with the 2002 Census of Governments, the U.S. Census Bureau reclassified 187 special drainage association districts in Maryland as subordinate government agencies, and are thus not included in this exhibit.

Source: U.S. Census Bureau, 2002 Census of Governments

Exhibit 1.2
State of Maryland Map



Unlike Maryland's municipal corporations, which were established exclusively to meet parochial needs, counties have traditionally served two roles simultaneously – a provider of local services and an administrative arm of the State. In the first role, the form and extent of county government throughout the State developed based on local needs and on economic, geographic, and population differences. When these differences are considered collectively, they contribute to Maryland's reputation as "America in miniature." In the second role, counties have served as a mechanism to provide services of statewide concern throughout each region of the State.

Today, Maryland's counties operate under one of three forms of government: traditional commission government, charter home rule, and code home rule. This chapter provides a brief history and profile of each county and reviews selected demographic information. A general overview of county government structure is then provided, which discusses the three forms of county government and how they relate to the authority of a county. Because Baltimore City operates as both a county and municipality but is treated as a county for most purposes under State law, Baltimore City's governmental structure is reviewed in conjunction with charter counties.

County Profiles

Maryland is a diverse State encompassing the mountainous regions of Western Maryland, waterfront communities along the Chesapeake Bay and Eastern Shore, historic towns, rolling hills and horse farms in the north/central region, and the urban center along the Baltimore/Washington corridor.

Allegany County

Allegany County, located in Western Maryland, was created out of Washington County in 1789. The name "Allegany" comes from "oolikhanna," a Native American term meaning "beautiful stream." The county represents one aspect of Maryland's varying landscapes, billing itself as the "Mountain Side of Maryland." It has seven municipal corporations, including Cumberland, the county's largest municipal corporation and county seat.

Increasingly, Allegany County is becoming a destination for tourists and businesses. Popular tourism attractions include outdoor sports such as fishing, boating, and golf, where visitors enjoy breathtaking mountain views. Historically, the county was home to the western terminus of the C & O Canal. The county's traditional role as a manufacturing and transportation center plays an important part in the county's tourism industry today. The C & O Canal National Historic Park, Canal Place, and the Rocky Gap Lodge and Golf Resort, featuring a Jack Nicklaus signature golf course, are also

popular attractions. In addition, the Western Maryland Scenic Railroad offers rides between historic Cumberland and Frostburg.

Since 1974, Allegany County has operated as a code home rule county, governed by three county commissioners. Allegany County's official web site is found at <http://www.gov.allconet.org>.

Anne Arundel County

Anne Arundel County, created by Chapter 8 of 1650 (April Session), was named for Lady Anne Arundell, the wife of Cecilius Calvert, Second Lord Baltimore and founder of the Maryland colony. The county has two municipal corporations, Annapolis and Highland Beach. Annapolis serves as the county seat as well as the State capital.

Anne Arundel County is known for its historic landmarks, waterfront communities, crabbing, and sailing. Annapolis, "America's Sailing Capital" and home to the United States Naval Academy, is a major tourist destination. Located in the Washington/Baltimore corridor, the county is home to the Baltimore/Washington International Thurgood Marshall Airport, the county's commercial and industrial center. The county's economy is also grounded in Internet-based services, high technology telecommunications, and distribution and technical support services.

Since 1964, Anne Arundel County has been a charter county, governed by an elected executive and a seven-member council. Anne Arundel County's official web site is found at <http://www.aacounty.org>.

Baltimore City

Baltimore City was named for Cecilius Calvert's Barony in Ireland. The city was first incorporated by Chapter 68 of 1796 and was originally a part of Baltimore County. It became an independent unit separate from the county in 1851, and today is known by the nickname "Charm City."

The port city of Baltimore is a dynamic urban center fueled by a diverse economy, internationally renowned universities and medical centers, and an extraordinary collection of historic and cultural resources. Development at Baltimore City's Inner Harbor and new sports arenas have transformed the city into a popular travel destination. Premier attractions include Oriole Park at Camden Yards, M&T Bank Stadium, the National Aquarium, the Maryland Science Center, the Great Blacks in Wax Museum, and the Reginald F. Lewis Museum of Maryland African American History & Culture. Though historically an industrial city, Baltimore City's economy now features such

things as health care and life sciences, international finance and banking, hospitality and entertainment, and maritime commerce.

Baltimore City is governed by a mayor and a 15-member council. Its official web site is found at <http://www.ci.baltimore.md.us>.

Baltimore County

Known as “Maryland’s horse country,” Baltimore County was established in 1659. Following the separation of Baltimore City from the county, in 1854 the county seat became Towson. The county has no municipal corporations located entirely within Baltimore County; however, a part of the Town of Hampstead, located primarily in Carroll County, extends into the county’s boundaries.

Baltimore County represents a blend of historic neighborhoods, suburban communities, and rural landscapes. With over 175 miles of shoreline and over 60 marinas, the county is a popular destination for boaters and fishermen. The county is also well known for its horse industry, with 149 thoroughbred horse farms and the annual Maryland Hunt Cup, the oldest and most difficult hunt race in the country. The county has a highly diversified economy that ranges from industrial facilities located in Dundalk/Sparrows Point to numerous high technology centers located near the University of Maryland Baltimore County. It is home to many Fortune 500 headquarters.

Since 1956, Baltimore County has been a charter county, governed by an elected executive and a seven-member council. Its official web site is found at <http://www.baltimorecountymd.gov>.

Calvert County

Calvert County, the smallest county in Maryland, is located in Southern Maryland. Originally created in 1654, the county was known as Patuxent County until 1658. Its current name is derived from the family name of Lord Baltimore, the Proprietary of the Maryland colony. Though not a municipal corporation, Prince Frederick serves as the county seat. The two municipal corporations in the county are North Beach and Chesapeake Beach.

Traditionally, agriculture and seafood have been mainstays of Calvert County’s economy. Today, it is the fastest growing county in the State, best known for its attractive location on the Chesapeake Bay and the Patuxent River. The county provides residents and visitors with excellent recreational opportunities such as boating, sailing, fishing, crabbing, and swimming. The community of North Beach boasts an expansive

boardwalk along the bay. The county is home to the Calvert Marine Museum and Drum Point Lighthouse in Solomons. In addition, the State's only nuclear power plant is located in the county.

The county has a commission government and is governed by five county commissioners. Calvert County's official web site is found at <http://www.co.cal.md.us>.

Caroline County

Caroline County, created from Dorchester and Queen Anne's counties in 1773, was named for Lady Caroline Eden, the daughter of Charles Calvert, Fifth Lord Baltimore, and wife of Robert Eden, Maryland's last colonial governor. Known as the "Green Garden County" for its commercial vegetable production, Caroline County is the only land-locked county on the Eastern Shore. Denton, the largest of the county's 10 municipal corporations, serves as the county seat.

Much of Caroline County is rural and agricultural; farming is a major economic activity, ranking it first in the State in the production of vegetables. Poultry farming is also a major generator of economic activity. Boasting over 5,000 acres of parkland and wildlife preserves, it contains miles of trails available for hiking and cycling. Wildlife enthusiasts enjoy hunting, fishing, and boating opportunities.

Since 1984, Caroline County has operated as a code home rule county, governed by three county commissioners. Caroline County's official web site is found at <http://www.carolinemd.org>.

Carroll County

Established in 1837 from the western part of Baltimore County and the eastern part of Frederick County, Carroll County was named for Charles Carroll of Carrollton, a Revolutionary War statesman and a Maryland signer of the Declaration of Independence. Westminster, the largest of eight municipal corporations in the county, serves as the county seat.

Carroll County is particularly noted for its antique shops, gift boutiques, historical sites, bookstores, and art galleries. Each year people come for its farmers' markets, festivals, and the Baltimore Raven's training camp. Agriculture, especially the dairy industry, remains an important part of the local economy, although the role of the commercial and industrial sectors has increased significantly in the county.

The county has a commission government and is governed by three county commissioners. Carroll County's official web site is found at <http://www.carr.org>.

Cecil County

Cecil County, named for Cecilius Calvert, Second Lord Baltimore and founder of the Maryland colony, is located in the northeast corner of the State. It was created out of Baltimore and Kent counties in 1674. Elkton, one of eight municipal corporations, is the county's largest municipal corporation and serves as the county seat.

Cecil County's landscape varies from open farmland and forest covered uplands to miles of beautiful shoreline and marshes that line the upper Chesapeake Bay. Five major rivers and the Chesapeake Bay provide year round recreational and hunting opportunities for residents and visitors of Cecil County. Popular local pastimes include hunting, fishing, boating, and decoy carving. Agriculture is an important part of the local economy, with farmland accounting for 70 percent of the county's land use.

The county has a commission government and is governed by five county commissioners. Its official web site is found at <http://www.ccgov.org>.

Charles County

Charles County, in Southern Maryland, was established in 1658 and was named for Charles Calvert, Third Lord Baltimore. La Plata, the largest of three municipal corporations, serves as the county seat.

With three State parks, four natural wildlife areas, and 150 miles of shoreline, Charles County is attractive for residents and tourists who enjoy outdoor activities. In addition, Charles County houses a dense population of Bald Eagles. Along with tourism, agriculture traditionally has been the mainstay of the economy. However, in recent years, the county has experienced significant business and residential growth.

Since 2002, the county has operated as a code home rule form of government. Today, it is governed by five county commissioners. Charles County's official web site is found at <http://www.charlescounty.org>.

Dorchester County

Although the legal origin of Dorchester County is unknown, it has existed since 1668. The county was named for the Earl of Dorset, a family friend of the Calverts. The county is known as the "Heart of Chesapeake Country" because of its mid-Eastern Shore

location and heart-shaped geographic configuration. Cambridge, the largest of nine municipal corporations, serves as the county seat.

Dorchester County is home to many wildlife refuge areas including Taylors Island, LeCompte, and Blackwater National Wildlife Refuge. Agriculture and seafood traditionally have been the economic mainstays of the county. However, manufacturing is a growing industry, accounting for 28 percent of total employment.

Since 2002, the county has operated under a charter home rule form of government. It is governed by five county council members who appoint a county manager. Dorchester County's official web site is found at <http://www.docogonet.com>.

Frederick County

Located in the Capital Region, Frederick County was created out of Baltimore and Prince George's counties in 1748. The county was probably named for Frederick Calvert, the sixth and last Lord Baltimore. Home to the "antiques capital of Maryland," Frederick County is located in both the Appalachian Mountain and Piedmont Plateau regions. The City of Frederick, the largest of 12 municipal corporations, serves as the county seat.

Traditionally, agriculture has been the mainstay of the local economy; the county has more farms than any other county in the State. However, the county's proximity to the nation's capital and the Interstate 270 technology corridor has resulted in significant business and residential growth in recent years, making it now one of the fastest growing counties in the State. The county remains Maryland's largest dairy producer, but growing industries include biotechnology, information technology, and manufacturing. Frederick County is also the home to Catoctin National Park, site of the Camp David presidential retreat.

The county has a commission government and is governed by five county commissioners. Frederick County's official web site is found at <http://www.co.frederick.md.us>.

Garrett County

Garrett County, Maryland's newest county, was created out of Allegany County in 1872. The county was named for John Work Garrett, one-time president of the Baltimore and Ohio Railroad. Located in Western Maryland, Garrett County's topography is mountainous. Oakland, one of eight municipal corporations, serves as the county seat.

Parks, lakes, and publicly owned forest land are found throughout the county. With Deep Creek Lake, Wisp Ski Resort, and numerous other recreational opportunities, Garrett County is sometimes referred to as “Maryland’s mountaintop playground.” Agriculture and coal mining are also important parts of the local economy.

The county has a commission form of government and is governed by three county commissioners. Garrett County’s official web site is found at <http://www.garrettcountry.org>.

Harford County

Harford County was created out of Baltimore County in 1773 and was named for Henry Harford, last Proprietary of Maryland. Billing itself as the “Gateway to the Chesapeake,” Harford County is located near the northern edge of the Chesapeake Bay in Central Maryland. Bel Air, one of three municipal corporations, serves as the county seat.

Historically, in addition to agriculture, the Susquehanna River and Tidewater Canal was an important economic engine in Harford County. Today, this piece of history plays a part of the county’s tourism, with offerings such as the Susquehanna Museum, the Havre de Grace Duck Decoy Museum, and the Concord Point Lighthouse. In addition, visitors and residents enjoy outdoor activities and baseball at the Ripkin Stadium in Aberdeen.

Since 1972, Harford County has been a charter county governed by an elected executive and a seven-member council. Its official web site is found at <http://www.harfordcountymd.gov>.

Howard County

Located in Central Maryland, Howard County was originally created as Howard District from Anne Arundel County in 1838. While the district enjoyed the status of a county, it was not until 1851 that it was officially formed as such. It was named for John Eager Howard, an officer in the Revolutionary War and a Governor of Maryland, and is considered a “county of contrasts,” home to urban and rural settings, mountains, and plains. With no municipal corporations, Ellicott City serves as the county seat.

Like many other counties, Howard County’s early economy was based on tobacco. Today, the county’s agrarian history is highlighted by Savage Mill and Ellicott City, former mill towns that have been renovated into unique marketplaces featuring antique dealers, artisans, and retailers. As one of the fastest growing counties in the State, it has a

diverse economic base, including biotechnology companies, research and development firms, telecommunication companies, and wholesale distributors.

Since 1968, it has been a charter county governed by an elected executive and a five-member council. Howard County's official web site is found at <http://www.co.ho.md.us>.

Kent County

Kent County was first mentioned as a county in 1642 and was named for a county of the same name bordering the English Channel in southeast England. Located between the Sassafras and Chester rivers on the Eastern Shore, locals and visitors think of Kent County as "quintessentially rural." Chestertown, the largest of the five municipal corporations, serves as the county seat.

A significant portion of Kent County is devoted to agriculture. County agricultural products include corn, milk, soybeans, and vegetables. Outdoor activities such as fishing, boating, and cycling appeal to residents and visitors. Kent County is home to the Eastern Neck Wildlife Refuge, an unspoiled island habitat.

Since 1970, Kent County has operated as a code home rule county, governed by three county commissioners. Kent County's official web site is found at <http://www.kentcounty.com>.

Montgomery County

Montgomery County was created out of Frederick County by resolve of the Constitutional Convention of 1776. The county was named for Richard Montgomery, a Revolutionary War general. Of the 19 municipal corporations in the county, Rockville serves as the county seat.

Montgomery County is culturally diverse and economically robust. Home to the Mormon Temple Visitor Center, the Clara Barton National Historic Site, and the C & O Canal National Historic Park, the county also has the State's largest Hispanic/Latino population. Montgomery County is the nation's third largest biotech center and home to world-famous Celera Genomics, the company that helped decode the human genome. The county is also home to 19 major federal research and development installations, including the Food and Drug Administration and the National Institutes of Health, the county's largest employer. The county's population is among the most affluent and diverse in the country.

In 1948, Montgomery County became the first county to adopt charter home rule. Today, it is governed by an elected executive and a nine-member council. Montgomery County's official web site is found at <http://www.montgomerycountymd.gov>.

Prince George's County

Prince George's County was created out of Calvert and Charles counties in 1695. The county was named for Prince George of Denmark, the husband of Queen Anne. Upper Marlboro, one of 27 municipal corporations, serves as the county seat.

Prince George's County has retained aspects of its past even as it has attracted cutting-edge research facilities. Farmers harvest crops from centuries-old family farms adjacent to facilities such as the NASA-Goddard Space Flight Center. The county's proximity to the nation's capital has attracted nearly a dozen other federal facilities such as the USDA Beltsville Agricultural Research Center and the Army Research Laboratory. Prince George's County is also home to the University of Maryland, College Park, the University System of Maryland's flagship campus and the second largest employer in the county. FEDEX Stadium, the home of the Washington Redskins, is also located in the county.

Since 1970, it has been a charter county governed by an elected executive and a nine-member council. Prince George's County's official web site is found at <http://www.co.pg.md.us>.

Queen Anne's County

Queen Anne's County was established in 1706 and named for Queen Anne, who ruled Great Britain during the period Maryland was governed as a royal colony rather than a proprietary province. The county is called the "Gateway to the Eastern Shore" because eastbound travelers enter Queen Anne's County via the Chesapeake Bay Bridge. Centreville, the largest of eight municipal corporations in the county, serves as the county seat.

Although Queen Anne's County has experienced significant growth, it has maintained a primarily agricultural and tourism-based economy. Wye Oak State Park, Tuckahoe State Park, and Wye Island Wildlife Refuge provide unique experiences for nature lovers. The county is also home to the Wildfowl Trust of North America. A sizeable number of county residents commute to the Annapolis, Baltimore, and Washington areas for jobs.

Since 1990, Queen Anne's County has operated as a code home rule county, governed by five county commissioners. Queen Anne's County's official web site is found at <http://www.qac.org>.

St. Mary's County

St. Mary's County, Maryland's first county, was established in 1637. This Southern Maryland county was named in honor of Mary, mother of Jesus. It was here that the Ark and Dove landed on March 25, 1634, and the county is considered Maryland's birthplace. Leonardtown, the only municipal corporation in the county, serves as the county seat.

Traditionally, agriculture and seafood have been St. Mary's County's economic mainstays. However, the county has emerged as a world-class center for aviation and avionics research, development, and testing. The county is home to the Patuxent Naval Air Test Center, an installation that has prompted significant growth in the county as it has assumed additional responsibilities due to closure of other military installations around the country. The U.S. Naval Air Systems Command, the Naval Air Warfare Center Aircraft Division, as well as over 200 high-tech defense contractors are located in the county. The influx of technical jobs resulting from growth at the naval facilities has resulted in a significant increase in the median household income for county residents.

The county has a commission government and is governed by five county commissioners. St. Mary's County's official web site is found at <http://www.co.saint-marys.md.us>.

Somerset County

Somerset County was established in 1666 and named for Lady Mary Somerset, the sister of Lady Anne Arundell. Princess Anne serves as the county seat; the only other municipal corporation is Crisfield.

Somerset County is noted for its water-oriented activities, natural wildlife sites, and blue crabs. The agriculture, seafood, and timber industries are important components of the local economy. Crisfield, the largest municipality in the county, serves as a major seafood processing center. Called "The Crab Capital of the World," each year the county holds the Crisfield Hard Crab Derby to celebrate the county's rich seafood heritage. State facilities include the University of Maryland Eastern Shore and the Eastern Correctional Institution.

The county has a commission government and is governed by five county commissioners. The official web site for the Somerset County Economic Development Commission is found at <http://www.somersetcountyedc.org>.

Talbot County

Talbot County was created in 1662 and named for Lady Grace Talbot, the sister of the Second Lord Baltimore. Easton, the largest of five municipal corporations, serves as the county seat.

Talbot County contains numerous historical sites and landmarks making the county a popular tourist destination. Easton's historic downtown reflects the city's colonial days when the shipbuilding industry flourished. Today, people can relive this earlier time by visiting the Chesapeake Bay Maritime Museum located in St. Michaels. The Waterfowl Festival is held each November, attracting thousands of visitors to the county. Due to its natural setting along the bay, the county has focused on environmental science and related information technology companies for new employment growth. Manufacturing remains a significant part of the local economy.

Since 1973, Talbot County has operated as a charter county governed by a five-member council that appoints a county manager. Its official web site is found at <http://www.talbotcountymd.gov>.

Washington County

Washington County was created out of Frederick County by resolve of the Constitutional Convention of 1776 and named for George Washington. Known for its historic Civil War attractions, the county is located in Western Maryland. Hagerstown, the largest of nine municipal corporations in the county, serves as the county seat.

Washington County has become a popular destination for its Civil War history, outdoor sports, and easy access to nearby metropolitan areas. The county is home to Antietam National Battlefield, C & O Canal National Park, and Fort Frederick State Park. Traditionally, agriculture has been an economic mainstay. However, with the intersection of Interstates 70 and 81, the area has attracted major financial, industrial, and distribution centers.

The county has a commission government and is governed by five county commissioners. Washington County's official web site is found at <http://www.washco-md.net>.

Wicomico County

Wicomico County was created out of Somerset and Worcester counties as part of the adoption of the Maryland Constitution in 1867. The county was named after the Wicomico River, a name derived from the Native American words “wicko” and “mekee,” meaning a “place where houses are built.” Salisbury, the largest of eight municipal corporations, serves as the county seat.

Wicomico County boasts an award-winning parks system, a nationally recognized hospital, and easy access to nearby beach attractions. It leads in the State in agricultural production, although it also is the commercial/industrial center of the Lower Eastern Shore. The county is home to Salisbury University and the Delmarva Shorebirds, a Class A minor league affiliate of the Baltimore Orioles.

Since 1964, it has operated as a charter county and is now governed by an elected executive and a seven-member council. Wicomico County’s official web site is found at <http://www.wicomicocounty.org/>.

Worcester County

Worcester County, created out of Somerset County in 1742 and named for the Earl of Worcester, is Maryland’s only county bordering the Atlantic Ocean. Snow Hill, one of four municipal corporations in the county, serves as the county seat.

Ocean City is the county’s largest municipality and serves as the State’s most prominent tourist attraction, offering cruises, fishing, golfing, surfing, amusement parks, and sunbathing. Worcester County is host to the White Marlin and Tuna Tournament, the Delmarva Birding Weekend, and the World Wildfowl Carving Competition. Besides tourism, chicken growing and processing is the major industry.

Since 1976, Worcester County has operated as a code home rule county, governed by seven county commissioners. Its official web site is found at <http://www.co.worcester.md.us>.

County Demographics

Maryland, consisting of 9,774 square miles, ranks forty-second among states in terms of land area. Maryland’s counties range from Calvert County with 215 square miles to Frederick County with 663 square miles. Baltimore City comprises 81 square miles. According to 2005 Census Bureau estimates, 5.6 million people live in Maryland. Montgomery County is the State’s most populous county with 928,000 residents, and Kent

County has the smallest population with 19,900 residents. Baltimore City, although fourth in total population, has the highest population density in the State. Montgomery County is second in terms of population density. Garrett County has the lowest population density.

Maryland is among the most racially diverse states in the nation. As shown in Exhibit 1.3, racial minorities constitute 40.8 percent of the State's population. African Americans are the largest racial minority in Maryland, comprising 28.8 percent of the State's population. Hispanics/Latinos and Asians make up 5.7 and 4.7 percent of the State's population, respectively. Montgomery County is the most diverse county in the State with Hispanics/Latinos and Asians each comprising about 13 percent of the county's population. Nationally, Hispanics/Latinos are the largest minority group comprising 14.4 percent of the nation's population.

Population Growth

Growth remains a key issue as Maryland's population continues to expand. Since April 2000, Maryland's population has increased by nearly 304,000 people. This represents a 5.7 percent increase over the five-year period, giving Maryland the nineteenth highest growth rate in the nation. For comparison purposes, the United States' population increased by 5.3 percent during this same period.

Population growth throughout Maryland has not been uniform. The largest growth occurred in Southern Maryland, the Eastern Shore, and the north-central region of the State. Baltimore City and many economically distressed rural counties realized either marginal growth or continued reductions in population.

Calvert County led the State in population growth from 1990 to 2000 with a growth rate of 45 percent. Worcester, Howard, and Frederick counties had growth rates at or above 30 percent. Baltimore City and Allegany County were the only jurisdictions that lost population during the 1990s. From 2000 to 2005, Calvert County continued to lead the State in population growth, followed by Charles, Cecil, Frederick, and Queen Anne's counties. Exhibits 1.4a and 1.4b illustrate population growth by county.

Economic and Social Indicators

The economic vitality of local jurisdictions varies across the State. Baltimore City and many rural counties are challenged by below average employment growth, high unemployment, and low household incomes. Counties in the Capital Region have high rates of employment growth, low unemployment, and above-average household incomes. As indicated in Exhibit 1.5, median household income ranges from \$88,600 in Howard County to \$34,900 in Somerset County.

Exhibit 1.3
Maryland Demographic Information

County	Land Area (Sq. Miles)	Population 2005 Est.	Population Density	White	African American	Hispanic/ Latino	Asian
Allegany	425.4	73,639	173.1	91.9%	5.9%	1.0%	0.6%
Anne Arundel	415.9	510,878	1,228.4	77.3%	14.4%	3.6%	2.8%
Baltimore City	80.8	635,815	7,869.0	30.1%	64.4%	2.2%	1.8%
Baltimore	598.6	786,113	1,313.3	68.4%	23.8%	2.4%	3.9%
Calvert	215.2	87,925	408.6	82.7%	12.7%	2.0%	1.0%
Caroline	320.1	31,822	99.4	80.6%	13.9%	4.0%	0.5%
Carroll	449.1	168,541	375.3	93.3%	2.9%	1.5%	1.3%
Cecil	348.1	97,796	280.9	90.9%	4.9%	2.0%	1.0%
Charles	461.0	138,822	301.1	57.6%	34.3%	3.1%	2.2%
Dorchester	557.5	31,401	56.3	69.3%	27.4%	1.9%	0.8%
Frederick	662.9	220,701	332.9	83.2%	7.5%	4.6%	2.9%
Garrett	648.0	29,909	46.2	98.6%	0.5%	0.5%	0.2%
Harford	440.3	239,259	543.4	82.8%	11.3%	2.4%	1.8%
Howard	252.0	269,457	1,069.3	67.1%	15.8%	4.0%	10.9%
Kent	279.4	19,899	71.2	79.8%	15.5%	3.3%	0.9%
Montgomery	495.5	927,583	1,872.0	55.8%	15.6%	13.6%	13.0%
Prince George's	485.4	846,123	1,743.1	19.0%	64.7%	10.7%	3.8%
Queen Anne's	372.2	45,612	122.5	89.0%	7.8%	1.4%	0.8%
St. Mary's	361.2	96,518	267.2	79.7%	14.1%	2.3%	2.0%
Somerset	327.2	25,845	79.0	55.3%	41.2%	1.8%	0.8%
Talbot	269.1	35,683	132.6	82.1%	14.5%	2.6%	0.6%
Washington	458.1	141,895	309.7	87.1%	8.8%	1.9%	1.1%
Wicomico	377.2	90,402	239.7	70.7%	23.5%	2.8%	1.7%
Worcester	473.2	48,750	103.0	81.7%	14.8%	1.8%	0.9%
Maryland	9,773.4	5,600,388	573.0	59.2%	28.8%	5.7%	4.7%
United States		296,410,404		66.9%	12.3%	14.4%	4.2%

Source: Maryland Department of Planning, U.S. Census Bureau

Exhibit 1.4a
Demographics – Population Growth by County

County	1990	2000	2005	Percent Change	
				1990-2000	2000-2005
Allegany	74,946	74,930	73,639	0.0%	-1.7%
Anne Arundel	427,239	489,656	510,878	14.6%	4.3%
Baltimore City	736,014	651,154	635,815	-11.5%	-2.4%
Baltimore	692,134	754,292	786,113	9.0%	4.2%
Calvert	51,372	74,563	87,925	45.1%	17.9%
Caroline	27,035	29,772	31,822	10.1%	6.9%
Carroll	123,372	150,897	168,541	22.3%	11.7%
Cecil	71,347	85,951	97,796	20.5%	13.8%
Charles	101,154	120,546	138,822	19.2%	15.2%
Dorchester	30,236	30,674	31,401	1.4%	2.4%
Frederick	150,208	195,277	220,701	30.0%	13.0%
Garrett	28,138	29,846	29,909	6.1%	0.2%
Harford	182,132	218,590	239,259	20.0%	9.5%
Howard	187,328	247,842	269,457	32.3%	8.7%
Kent	17,842	19,197	19,899	7.6%	3.7%
Montgomery	762,875	873,341	927,583	14.5%	6.2%
Prince George's	722,705	801,515	846,123	10.9%	5.6%
Queen Anne's	33,953	40,563	45,612	19.5%	12.4%
St. Mary's	75,974	86,211	96,518	13.5%	12.0%
Somerset	23,440	24,747	25,845	5.6%	4.4%
Talbot	30,549	33,812	35,683	10.7%	5.5%
Washington	121,393	131,923	141,895	8.7%	7.6%
Wicomico	74,339	84,644	90,402	13.9%	6.8%
Worcester	35,028	46,543	48,750	32.9%	4.7%
Maryland	4,780,753	5,296,486	5,600,388	10.8%	5.7%

Source: U.S. Census Bureau

Exhibit 1.4b
Demographics – Population Growth by County

Highest to Lowest Growth			Highest to Lowest Growth		
<u>1990 to 2000</u>			<u>2000 to 2005</u>		
1.	Calvert	45.1%	1.	Calvert	17.9%
2.	Worcester	32.9%	2.	Charles	15.2%
3.	Howard	32.3%	3.	Cecil	13.8%
4.	Frederick	30.0%	4.	Frederick	13.0%
5.	Carroll	22.3%	5.	Queen Anne's	12.4%
6.	Cecil	20.5%	6.	St. Mary's	12.0%
7.	Harford	20.0%	7.	Carroll	11.7%
8.	Queen Anne's	19.5%	8.	Harford	9.5%
9.	Charles	19.2%	9.	Howard	8.7%
10.	Anne Arundel	14.6%	10.	Washington	7.6%
11.	Montgomery	14.5%	11.	Caroline	6.9%
12.	Wicomico	13.9%	12.	Wicomico	6.8%
13.	St. Mary's	13.5%	13.	Montgomery	6.2%
14.	Prince George's	10.9%		Maryland	5.7%
	Maryland	10.8%	14.	Prince George's	5.6%
15.	Talbot	10.7%	15.	Talbot	5.5%
16.	Caroline	10.1%	16.	Worcester	4.7%
17.	Baltimore	9.0%	17.	Somerset	4.4%
18.	Washington	8.7%	18.	Anne Arundel	4.3%
19.	Kent	7.6%	19.	Baltimore	4.2%
20.	Garrett	6.1%	20.	Kent	3.7%
21.	Somerset	5.6%	21.	Dorchester	2.4%
22.	Dorchester	1.4%	22.	Garrett	0.2%
23.	Allegany	0.0%	23.	Allegany	-1.7%
24.	Baltimore City	-11.5%	24.	Baltimore City	-2.4%

Source: U.S. Census Bureau, Department of Legislative Services

Exhibit 1.5 Demographics – Selected Maryland Economic Indicators

County	Average Annual Employment CY 2005	Jobs per 1,000 Residents CY 2005	Average Weekly Wage per Worker CY 2005	Average Unemployment Rate CY 2005	Median Household Income CY 2005	Median Home Price FY 2005
Allegany	30,284	411.2	\$553	6.0%	\$36,650	\$76,750
Anne Arundel	222,106	434.8	814	3.5%	76,350	289,900
Baltimore City	349,980	550.4	917	7.1%	35,400	123,500
Baltimore	371,371	472.4	813	4.3%	60,700	209,900
Calvert	20,810	236.7	699	3.2%	84,650	288,900
Caroline	8,744	274.8	564	4.3%	45,800	178,000
Carroll	54,082	320.9	615	3.2%	75,050	295,000
Cecil	29,203	298.6	742	4.5%	60,350	225,000
Charles	40,769	293.7	665	3.3%	78,750	282,000
Dorchester	12,035	383.3	585	5.3%	40,550	175,000
Frederick	91,079	412.7	742	3.0%	78,050	282,000
Garrett	11,489	384.1	487	4.8%	39,000	131,000
Harford	80,479	336.4	725	3.9%	71,450	230,000
Howard	138,778	515.0	907	3.0%	88,600	339,883
Kent	8,106	407.4	586	3.9%	45,750	240,092
Montgomery	458,668	494.5	1,042	3.1%	84,850	375,000
Prince George's	312,639	369.5	848	4.5%	69,300	245,000
Queen Anne's	12,928	283.4	575	3.4%	71,750	326,493
St. Mary's	37,591	389.5	885	3.4%	63,250	250,000
Somerset	6,973	269.8	603	5.9%	34,900	128,000
Talbot	19,124	535.9	609	3.7%	50,100	298,400
Washington	65,957	464.8	646	4.3%	47,900	205,000
Wicomico	45,364	501.8	623	4.2%	44,650	172,000
Worcester	24,479	502.1	480	6.7%	49,400	290,000
Statewide	2,453,038	438.0	\$853	4.1%	\$64,300	\$265,500

Source: U.S. Census Bureau; Department of Labor, Licensing, and Regulation; State Department of Assessments and Taxation; Department of Legislative Services

Employment Statistics

The unemployment rate measures the percentage of a county's total civilian labor force that is out of work. In calendar 2005, the statewide unemployment rate averaged 4.1 percent, a slight decrease from the prior year. Howard and Frederick counties had the lowest unemployment rate at 3.0 percent, while Baltimore City had the highest at 7.1 percent.

In calendar 2005, the average weekly wage was \$853 statewide, ranging from \$480 in Worcester County to \$1,042 in Montgomery County. Baltimore City had the second highest average weekly wage at \$917 followed by Howard County at \$907. As calculated by the Department of Labor, Licensing, and Regulation, the average weekly wage is based on individuals' place of employment, not their place of residence.

Household Income

Based on a three-year average from 2002 through 2004, Maryland ranked third among states with the highest median household income, behind New Hampshire and New Jersey. The median household income in 2005 for Maryland jurisdictions averaged \$64,300 statewide, ranging from \$34,900 in Somerset County to \$88,600 in Howard County. Montgomery County had the second highest median income at \$84,850. Five counties (Allegany, Dorchester, Garrett, Somerset, and Wicomico) and Baltimore City had a median household income below 70 percent of the statewide average.

Median Sale Price for Homes

The median sale price for owner-occupied real property was \$265,500 statewide in fiscal 2005, up \$44,400 from the previous year, representing a 20.1 percent increase. For comparison purposes, the median household income increased by only 3.7 percent from calendar 2004 to 2005. The median sale price ranged from \$76,750 in Allegany County to \$375,000 in Montgomery County. The highest increase in median value for home sales in fiscal 2005 occurred in Kent (42.9 percent) and Worcester (38.1 percent) counties. Allegany County had the lowest annual increase at 7.7 percent.

Poverty Rates

Maryland has one of the lowest poverty rates in the nation. Based on the 2000 Census, 8.5 percent of Marylanders live in poverty compared to 12.4 percent at the national level. As shown in Exhibit 1.6, across the State, the poverty rate in 2000 ranged from 3.8 percent in Carroll County to 22.9 percent in Baltimore City. Seven counties had poverty rates exceeding the national average. Poverty rate statistics are taken from the

2000 Census. More recent data on a county-by-county basis is not yet available from the U.S. Census Bureau.

Single-parent Households

The effects of poverty are compounded by the fact that many children in Maryland do not live in a two-parent household (see Exhibit 1.6). According to 2000 Census data, more than 30 percent of Maryland households with children are headed by a single parent, up from 12.8 percent in 1970. Single-parent families with children range from a high of 61 percent in Baltimore City to a low of 17 percent in Carroll County. Counties with a high level of single-parent households also tend to have a high child poverty rate.

High School Dropout Rate

Maryland's high school dropout rate declined in 2005. According to the *2005 Maryland Report Card* produced by the Maryland State Department of Education, Maryland's high school dropout rate averaged 3.7 percent in 2005 (see Exhibit 1.6). This compares to 5.4 percent in 1993 and 3.9 percent in 2004. The high school dropout rate ranges from 0.7 percent in Frederick County to 11.8 percent in Baltimore City. Compared to 2004, high school dropout rates declined in 13 local school systems in 2005 but increased in 10 local school systems, with rates in one local school system unchanged.

Crime Statistics

As shown in Exhibit 1.6, according to the *Uniform Crime Report* for 2005, compiled by the Maryland State Police, Prince George's County has the highest crime rate in the State, followed closely by Baltimore City. Frederick, Carroll, and Garrett counties have the lowest crime rates. The crime rate calculates the number of offenses per 1,000 in population. While the State's overall crime rate slightly decreased between calendar 2004 and 2005, 13 counties experienced higher crime rates in 2005.

Baltimore City and Prince George's County continue to be plagued with a high murder rate. The number of murders in Baltimore City declined in 2005, while murders increased in Prince George's County. The two jurisdictions accounted for nearly 80 percent of the State's murders. In addition, Prince George's County maintains the highest number of vehicle thefts statewide. Over one-half of the motor vehicle thefts in the State occur in Prince George's County. In 2005, 17,242 vehicles were reported stolen in Prince George's County compared to 2,671 in neighboring Montgomery County. Baltimore City has the second highest number of vehicle thefts at 6,232.

Exhibit 1.6
Demographics – Social Indicators

County	Poverty Rate 2000 Census	Single-parent Households 2000 Census	High School Dropout Rate 2005 Report	Crime Rate CY 2005	Murder Count CY 2005	Vehicle Theft Count CY 2005
Allegany	14.8%	28.6%	2.71%	31.0	1	57
Anne Arundel	5.1%	24.2%	2.30%	39.2	16	1,524
Baltimore City	22.9%	60.9%	11.81%	70.3	269	6,232
Baltimore	6.5%	30.4%	4.46%	39.3	40	3,046
Calvert	4.4%	20.0%	2.08%	21.2	2	86
Caroline	11.7%	32.6%	2.35%	30.7	1	51
Carroll	3.8%	17.1%	1.24%	19.0	2	170
Cecil	7.2%	26.6%	4.23%	35.4	4	278
Charles	5.5%	29.0%	3.45%	36.8	4	627
Dorchester	13.8%	39.7%	5.95%	42.4	0	77
Frederick	4.5%	20.0%	0.73%	19.4	1	197
Garrett	13.3%	21.2%	2.49%	17.4	0	19
Harford	4.9%	21.5%	3.07%	24.2	2	359
Howard	3.9%	18.9%	1.44%	29.0	4	544
Kent	13.0%	34.2%	4.80%	20.0	1	24
Montgomery	5.4%	20.9%	1.76%	27.0	21	2,671
Prince George's	7.7%	39.4%	3.57%	73.7	164	17,242
Queen Anne's	6.3%	22.4%	3.16%	22.1	1	48
St. Mary's	7.2%	24.4%	2.91%	24.2	1	142
Somerset	20.1%	37.2%	5.36%	33.5	1	27
Talbot	8.3%	27.5%	1.17%	28.4	3	26
Washington	9.5%	29.2%	1.87%	26.9	4	261
Wicomico	12.8%	34.7%	4.23%	56.5	4	205
Worcester	9.6%	32.1%	2.09%	51.3	2	101
Maryland	8.5%	30.3%	3.70%	42.5	552	34,070

Note: Crime rate is shown per 1,000 residents.

Source: United States Census Bureau, Maryland State Department of Education, Maryland State Police, Maryland Department of Planning

Voter Registration

Exhibit 1.7 provides the number of registered voters in each county as well as party affiliations in 2005. While registered Democrats outnumber registered Republicans throughout the State by almost two to one, the pattern varies regionally. In eight counties (Allegany, Calvert, Carroll, Frederick, Garrett, Queen Anne's, Talbot, and Washington), registered Republicans outnumber registered Democrats. In other jurisdictions, registered Democrats outnumber registered Republicans.

Municipal Profile

Maryland has 156 municipal corporations, commonly referred to as municipalities, with home rule powers under Article XI-E of the Maryland Constitution. The dimensions of the municipal corporations varies widely, as does the number of county residents who live in them.

The largest municipal corporation in Maryland is Frederick (Frederick County) with 57,907 residents, followed by Gaithersburg (Montgomery County) with 57,698. The smallest municipal corporation is the Town of Port Tobacco (Charles County) with 18 residents. Of 156 municipal corporations, 94 have fewer than 2,500 residents, while only 8 have more than 25,000 residents. The 10 largest municipal corporations are listed in Exhibit 1.8, and the number of municipal corporations by size is shown in Exhibit 1.9.

The number of municipal corporations in each county and the percentage of residents in each county who reside within a municipal corporation vary considerably. Prince George's County, with 27 municipal corporations, has the greatest number among the 23 counties. Although Prince George's County has the highest number of residents who reside within a municipal corporation (225,735), municipal residents only equal 26.7 percent of the county population. Talbot County has the highest percentage of residents who reside within a municipal corporation (46.3 percent). In contrast, in St. Mary's County 2.1 percent of residents reside within a municipal corporation. Baltimore and Howard counties have no municipal corporations entirely within their boundaries although a small portion of the Town of Hampstead does extend into Baltimore County. The number of residents in each county who reside within a municipal corporation is provided in Exhibit 1.10.

A detailed discussion of the structure and authority of municipal corporations can be found in Chapter 3 of this *Maryland Local Government Handbook*.

Exhibit 1.7
Voter Registration – 2005

County	Total	Democratic	Percent	Republican	Percent	Other	Percent
Allegany	40,580	16,758	41.3%	19,309	47.6%	4,513	11.1%
Anne Arundel	300,060	131,634	43.9%	116,324	38.8%	52,102	17.4%
Baltimore City	312,709	249,798	79.9%	30,082	9.6%	32,829	10.5%
Baltimore	443,624	262,754	59.2%	123,454	27.8%	57,416	12.9%
Calvert	48,684	19,923	40.9%	20,510	42.1%	8,251	16.9%
Caroline	15,581	6,737	43.2%	6,388	41.0%	2,456	15.8%
Carroll	96,912	32,254	33.3%	51,063	52.7%	13,595	14.0%
Cecil	50,710	21,536	42.5%	19,779	39.0%	9,395	18.5%
Charles	75,115	37,199	49.5%	25,773	34.3%	12,143	16.2%
Dorchester	17,877	9,449	52.9%	6,465	36.2%	1,963	11.0%
Frederick	123,056	44,779	36.4%	56,139	45.6%	22,138	18.0%
Garrett	17,312	5,009	28.9%	10,790	62.3%	1,513	8.7%
Harford	141,848	61,990	43.7%	60,831	42.9%	19,027	13.4%
Howard	160,672	74,754	46.5%	55,250	34.4%	30,668	19.1%
Kent	11,645	5,912	50.8%	4,210	36.2%	1,523	13.1%
Montgomery	517,146	277,201	53.6%	131,156	25.4%	108,789	21.0%
Prince George's	428,421	317,732	74.2%	48,786	11.4%	61,903	14.4%
Queen Anne's	27,065	10,569	39.1%	12,686	46.9%	3,810	14.1%
St. Mary's	50,440	21,695	43.0%	20,281	40.2%	8,464	16.8%
Somerset	11,886	6,669	56.1%	3,916	32.9%	1,301	10.9%
Talbot	25,080	10,033	40.0%	11,221	44.7%	3,826	15.3%
Washington	77,544	29,903	38.6%	35,683	46.0%	11,958	15.4%
Wicomico	48,696	22,948	47.1%	18,444	37.9%	7,304	15.0%
Worcester	32,732	15,108	46.2%	12,685	38.8%	4,939	15.1%
Maryland	3,075,395	1,692,344	55.0%	901,225	29.3%	481,826	15.7%

Source: Maryland State Board of Elections

Exhibit 1.8
10 Largest Municipal Corporations in Maryland
2005

<u>Municipal Corporations</u>	<u>County</u>	<u>Population</u>
Frederick	Frederick	57,907
Gaithersburg	Montgomery	57,698
Rockville	Montgomery	57,402
Bowie	Prince George's	53,878
Hagerstown	Washington	38,326
Annapolis	Anne Arundel	36,300
Salisbury	Wicomico	26,295
College Park	Prince George's	25,171
Greenbelt	Prince George's	22,242
Laurel	Prince George's	22,125

Source: Maryland Department of Planning

Exhibit 1.9
Municipal Corporations by Size
2005

<u>Population Range</u>	<u>Number of Municipal Corporations</u>
25,001 – 60,000	8
10,001 - 25,000	13
5,001 - 10,000	17
2,501 - 5,000	24
2,500 and less	94

Source: Maryland Department of Planning

Exhibit 1.10
Estimated Population of Municipal Residents within Each County
2005

County	Population in Municipal Corporations	Percent of County's Population
Allegany	33,054	44.9%
Anne Arundel	36,411	7.1%
Baltimore City	0	0.0%
Baltimore	0	0.0%
Calvert	5,345	6.1%
Caroline	10,426	32.8%
Carroll	43,171	25.6%
Cecil	25,909	26.5%
Charles	12,102	8.7%
Dorchester	14,445	46.0%
Frederick	87,695	39.7%
Garrett	6,640	22.2%
Harford	36,203	15.1%
Howard	0	0.0%
Kent	8,389	42.2%
Montgomery	153,140	16.5%
Prince George's	225,735	26.7%
Queen Anne's	4,563	10.0%
St. Mary's	2,075	2.1%
Somerset	5,608	21.7%
Talbot	16,530	46.3%
Washington	50,951	35.9%
Wicomico	36,688	40.6%
Worcester	16,992	34.9%
Statewide	832,072	14.9%

Source: Maryland Department of Planning

Chapter 2. County Government

This chapter reviews the three forms of county government: commission, charter home rule, and code home rule. Although Baltimore City has a unique history, it will be reviewed in conjunction with the charter home rule counties because it was granted authority to adopt its charter under Article XI-A of the Maryland Constitution, the same article under which the charter home rule counties operate. Exhibit 2.1 shows the form of government for each Maryland county and the year in which local home rule was granted.

Exhibit 2.1 Forms of County Governments in Maryland

<u>Charter Home Rule</u>		<u>Code Home Rule</u>		<u>Commission</u>
Anne Arundel	1964	Allegany	1974	Calvert
Baltimore	1956	Caroline	1984	Carroll
Dorchester	2002	Charles	2002	Cecil
Harford	1972	Kent	1970	Frederick
Howard	1968	Queen Anne's	1990	Garrett
Montgomery	1948	Worcester	1976	St. Mary's
Prince George's	1970			Somerset
Talbot	1973			Washington
Wicomico	1964			

Source: Department of Legislative Services

Establishment and Alteration of Counties

As the county historical overview in Chapter 1 indicates, Maryland's counties were created in different ways. Despite the historical variations, Article XIII of the Maryland Constitution prescribes the manner in which counties may be established and county boundaries may be altered.

Article XIII, Section 1 of the Maryland Constitution establishes minimum area and population standards for the establishment of new counties. A county may not be established in an area that is less than 400 square miles or that includes less than 10,000 inhabitants, nor may a new county be formed in a manner that would leave another county reduced in size or population below these amounts. Although the General

Assembly is vested with authority to establish new counties or modify county boundaries, these changes require the approval of the majority of the voters residing within the affected area. The General Assembly may not impose additional referendum requirements beyond that prescribed by the Maryland Constitution. Otherwise, voters beyond the affected area would have veto authority over the decision of the voters residing within the affected area. (67 Op. Att’y Gen. 279 (1982)).

The last county in the State was established in 1872 (Garrett County); formation of a new county appears unlikely. However, occasionally questions arise concerning the alteration of county boundaries. For example, for several decades, the City of Takoma Park was located partly in Montgomery County and partly in Prince George’s County. In 1994, after 12 years of debate, the General Assembly passed legislation that allowed the voters in each portion of Takoma Park to decide by referendum whether the county line should be altered in order to locate Takoma Park entirely within one county. In November 1995, the voters elected to place the city entirely within Montgomery County, and the county boundary change took effect July 1, 1997.

Development of Home Rule Authority

Within three years after the establishment of Lord Baltimore’s first settlement in 1634 at what is currently St. Mary’s City, the rudimentary traces of local government were present. Maryland’s first unit of local government, St. Mary’s County, was established in 1637. Over the next three centuries, both the number and form of local government units in Maryland grew. However, the local governments were strictly seen as “creatures of the State” and had no inherent powers of their own. The State’s first grant of home rule authority to local governments was not made until 1914, and it took over five more decades for the majority of local government units to receive and implement home rule powers.

Because local governments historically had no home rule powers, the General Assembly spent considerable time dealing with local issues. Despite the tradition of “local courtesy,” whereby the General Assembly gave considerable weight to the sentiment of the representatives of the local jurisdiction that was the subject of a particular bill, significant time was devoted to local matters.

The impact of local legislation on the General Assembly’s time and resources, as well as the developing trend in other states to grant home rule powers to their municipal and county governments, prompted Maryland to become the second State to adopt a constitutional provision permitting counties and Baltimore City to adopt and frame their own charters. This measure was passed by the General Assembly in 1914, ratified by the voters in 1915, and became Article XI-A of the Maryland Constitution, the so-called

charter home rule amendment. Despite having this new vehicle to exercise home rule powers, only two jurisdictions took advantage of this opportunity during the next several decades: Baltimore City in 1918 and Montgomery County in 1948.

Since Article XI-A had limited implementation for the first half of the twentieth century, the General Assembly continued to handle voluminous amounts of local legislation. An estimate for the years 1924 to 1939 placed the average number of bills passed dealing with counties and municipal corporations at 59 percent of the total. The amount of local legislation reached an all-time high during the 1951 session when 70 percent of the bills passed were local in nature. Typically, the General Assembly spent considerable time dealing with provisions relating to covers on refuse cans, prescribing the maximum length of dog license tags, and the placement of signs, to name a few. Because it became increasingly apparent that local legislation was forcing legislators to spend a disproportionate amount of time away from matters of statewide policy, a special commission was established to study local legislation. In 1951, Governor McKeldin appointed the Commission on Administrative Organization of the State, chaired by Simon E. Sobeloff. The Sobeloff Commission, among other findings, determined that it was only proper that localities should have full power and authority to consider matters of a local nature.

The recommendations of the Sobeloff Commission bore fruit promptly, at least as to municipal corporations. In 1954, another constitutional amendment was enacted and ratified by the voters, Article XI-E, providing municipal home rule to the incorporated cities and towns of Maryland. This, coupled with the enactment of a statutory subtitle on home rule, granted municipal corporations broad powers to amend, enact, or repeal their charters and at the same time restricted the General Assembly's powers to pass local legislation for municipal corporations.

As to the counties, only three more counties adopted home rule under Article XI-A during mid-century: Baltimore County in 1956, and Anne Arundel and Wicomico counties in 1964. It was suggested that this slow moving trend indicated a need for an alternative form of home rule government for the counties, a form that could meet the need of counties that might adopt home rule but for the arduous process and political challenges associated with the adoption of a charter and the restructuring of government.

In 1965, the General Assembly proposed a constitutional amendment offering an alternative form of county government referred to as "code" home rule. "Requiring neither the drafting and approval of a local charter nor carrying with it any requirement or association with a major re-organization of county government, code home rule ... presented a very real alternative to charter home rule in Maryland." (62 Op. Att'y Gen. 275, 281 (1977), citing Spencer, *Contemporary Local Government in Maryland*,

pp. 26-27 (1965)). In 1966, the voters ratified the proposed amendment, adding to the Maryland Constitution Article XI-F, "Home Rule for Code Counties."

Today, nine counties exercise charter home rule and six counties operate under code home rule. The other eight counties remain commission counties. While the General Assembly still handles a considerable amount of local legislation each year, the overall burden has been significantly reduced. Further, there appears to be no particular momentum to change the current balance of power between the General Assembly and the local governments.

County Functions and Services

Regardless of the form of county government, certain functions and services have come, overtime, to be provided by every county, although the level of services and the manner in which services are provided may vary. These county functions may be classified as either services of statewide concern, whereby the county serves as an administrative arm of the State in the provision of services, or strictly local services that are required or expected in each county. Types of services that are provided at the local level include general government (*i.e.*, executive and legislative functions, finance, legal services, personnel, and procurement), land use matters and regulation of development (*i.e.*, planning and zoning, issuance of building permits, and inspections), public safety (*i.e.*, fire, police, emergency services, and corrections), public works (*i.e.*, transportation, sanitation, and sewer and water), health and social services, primary and secondary education, community colleges, libraries, and recreation.

Commission Counties

Colonial Origins

At the time the first colonial counties were formed, county courts served as the administrative units of county government. Chapter 53 of 1794 established levy courts, composed of the justices of the peace in the counties. The basic duty of the levy courts was to determine the necessary expenses of the county and impose an assessment on property to defray the county's expenses. Starting in 1827, boards of county commissioners began to administer county governments under authority of the General Assembly. The term "county commissioners" was first recognized in the Maryland Constitution of 1851. However, until the Maryland Constitution of 1867, county commissioners were simply administrative officers, in charge of county finances and the care of public roads. After the Maryland Constitution of 1867 was adopted, the General Assembly gradually expanded the authority of county commissioners.

Constitutional/Statutory Authority

Article VII, Section 2 of the Maryland Constitution provides that the number, compensation, and powers and duties of the county commissioners “shall be such as now are or may be hereafter prescribed by law.” This provision has been interpreted to mean that the General Assembly has full power to legislate for commission counties.

Article 25, Section 1 of the Annotated Code of Maryland provides that the county commissioners of each county are declared to be a corporation. Commission counties generally have been granted extensive statutory authority to handle local matters under various and numerous public general laws and public local laws. However, in many areas there are significant variations in the authority of individual commission counties. In addition, when granting some new authority, the General Assembly may make the provision applicable to all commission counties, to all counties except those counties specifically exempted, or only to those specified counties. Moreover, when interpreting the statutory authority of commission counties, the courts will strictly construe the scope of the authority granted.

In carrying out their duties, the county commissioners wear numerous hats. They act in legislative, executive or administrative, and quasi-judicial capacities. However, the line between these roles is often blurred. The day-to-day administration of county government varies among commission counties. In some cases, the county commissioners have delegated significant responsibility to a county administrator. In other commission counties, the commissioners have retained greater involvement in day-to-day operations.

Structure and Election of County Officers

Article VII of the Maryland Constitution vests in the General Assembly authority to determine the number of county commissioners in each commission county as well as the manner that county commissioners are elected. Six of the commission counties have five county commissioners each; the remaining counties have three commissioners¹. Commissioners are elected at-large, by district, or by some combination. Under Article XVII of the Maryland Constitution (which applies to all counties except Cecil County since 2000), county commissioners are elected for four-year terms, coincident with the election of the Governor and members of the General Assembly. Exhibit 2.2 shows the structure and election system for each commission county.

¹ In accordance with the June 2006 Court of Appeals decision in *Getty v. Board of Elections*, the Circuit Court for Carroll County ordered the Carroll County Board of Elections to conduct the 2006 elections in accordance with Section 3-101(a) of the Public Local Laws of Carroll County, as it provided, prior to the passage of Chapter 417 of 2003, for three county commissioners, not five, due to the absence of subsequent legislation to carry out the election of five commissioners.

Exhibit 2.2 County Governments – Form and Structure

County	Government Form	Elected		Members on County Council/Board		
		Executive	Legislative Structure	At-Large	District	Total
Allegany	Code Home Rule	No	Board of Commissioners	3	0	3
Anne Arundel	Charter Home Rule	Yes	County Council	0	7	7
Baltimore City	Charter Home Rule	Yes	City Council	1	14	15
Baltimore	Charter Home Rule	Yes	County Council	0	7	7
Calvert	Commission	No	Board of Commissioners	2	3	5
Caroline	Code Home Rule	No	Board of Commissioners	3	0	3
Carroll	Commission	No	Board of Commissioners	3	0	3
Cecil	Commission	No	Board of Commissioners	0	5	5
Charles	Code Home Rule	No	Board of Commissioners	1	4	5
Dorchester	Charter Home Rule	No	County Council	0	5	5
Frederick	Commission	No	Board of Commissioners	5	0	5
Garrett	Commission	No	Board of Commissioners	0	3	3
Harford	Charter Home Rule	Yes	County Council	1	6	7
Howard	Charter Home Rule	Yes	County Council	0	5	5
Kent	Code Home Rule	No	Board of Commissioners	3	0	3
Montgomery	Charter Home Rule	Yes	County Council	4	5	9
Prince George's	Charter Home Rule	Yes	County Council	0	9	9
Queen Anne's	Code Home Rule	No	Board of Commissioners	1	4	5
St. Mary's	Commission	No	Board of Commissioners	1	4	5
Somerset	Commission	No	Board of Commissioners	0	5	5
Talbot	Charter Home Rule	No	County Council	5	0	5
Washington	Commission	No	Board of Commissioners	5	0	5
Wicomico	Charter Home Rule	Yes	County Council	2	5	7
Worcester	Code Home Rule	No	Board of Commissioners	0	7	7

Note: In Baltimore City and Charles, Harford, and St. Mary's counties, the council or board president is elected at-large. In other counties the individual is either selected by the council/board members or received the most votes in the election.

Source: Department of Legislative Services

Consideration of Home Rule

In the decade after the second form of home rule authority was made available under the Maryland Constitution, the voters in six commission counties approved some form of home rule: charter home rule was adopted by Prince George's County in 1970, Harford County in 1972, and Talbot County in 1973; and code home rule was adopted by Kent County in 1970, Allegany County in 1974, and Worcester County in 1976. However, this momentum slowed dramatically as home rule was adopted by only one county in each of the two subsequent decades: Caroline County in 1984 and Queen Anne's County in 1990, both adopting code home rule.

Since 1990, at least five of the remaining commission counties have considered home rule on one or more occasion. Until recently, the voters in each instance rejected the proposed change, apparently satisfied that their commission form of government met local needs. However, in 2002, the home rule referendums were successful in two counties: Charles County adopted code home rule and Dorchester County adopted charter home rule. Whether any of the remaining eight commission counties eventually opts for some form of home rule, or retains the traditional form of county government, remains to be seen.

Charter Counties

Adoption of Charter Home Rule

Article XI-A of the Maryland Constitution prescribes two methods of adopting charter home rule, the original procedure dating from 1915 and an alternative procedure that was added in 1970. Both procedures include the creation of a charter board and the drafting of a charter and are outlined in Exhibit 2.3. Although Baltimore City adopted a charter form of government in 1918, it was not until 1948 that Montgomery County became the first county to adopt charter home rule. Today nine counties operate under charter home rule. These counties and the date that charter home rule was adopted are shown in Exhibit 2.1.

Concern about the lengthy time required to complete the adoption of charter home rule under the original process led to the creation of the alternative procedure, which has streamlined provisions for the initiation of the process, the creation of the charter board, and the vote on the proposed charter. In addition, the time in which a charter board has to prepare a proposed charter has been expanded twice. Under the original law, a charter board was given six months to draft a charter. In 1964, the time frame was extended to 12 months; in 1992, it was extended to 18 months. Despite having the streamlined option, seven of the nine charter home rule counties have adopted home rule under the original method rather than the alternative process.

Exhibit 2.3
Adoption of Charter Home Rule under the Maryland Constitution

Process	Article XI-A, Section 1	Article XI-A, Section 1A
Initiation of Process: Proposal of Charter Board	Petition by 20% or 10,000 voters, whichever is less, requires governing body to nominate charter board. (In Baltimore City, Mayor and City Council may initiate process.) Charter board consists of 5 members. (In Baltimore City, 11 members.)	1. At any time, County Commissioners may appoint charter board consisting of uneven number of members, ranging from 5 to 9. OR 2. Petition by 5% or 10,000 voters, whichever is less; appointments must be made by the County Commissioners within 30 days of receipt of the petition.
Nomination of Charter Board	Nominations by governing body to be received not less than 40 days before election, and by voter petition, not less than 20 days before election.	After the governing body appoints a charter board, additional nominations may be made by a petition signed by 3% or 2,000 voters, whichever is less, and delivered within 60 days after the board is appointed.
Election on Charter Board and Its Membership	Next general or congressional election. If no more than 5 nominations (or 11 in Baltimore City) are received, the nominees constitute the charter board. Sole question is whether to create a charter board. If more than 5 nominations, the voters must determine whether to create a charter board <i>and</i> the membership of the board.	If petition is submitted, no sooner than 30 days and no later than 90 days after receipt of petition. Election unnecessary if no additional nominations received. (Voters do not have an opportunity to decide whether a charter board should be created.)
Result of Election	If majority favor creating charter board, top 5 vote getters constitute charter board. (11 in Baltimore City) If only 5 nominees, no vote on board members. If majority reject creation of charter board, election of board members is void, and process ends.	Top vote getters equal to the number of board members initially appointed constitute charter board.
Drafting of Charter	Within 18 months of election, charter board must prepare and submit proposed charter to President of Board of County Commissioners (or Mayor of Baltimore City).	Within 18 months of appointment, or 18 months after an election if an election is held, charter board must prepare and submit proposed charter to Board of County Commissioners.
Publication of Proposed Charter	Within 30 days of receipt, proposed charter must be published in at least 2 newspapers of general circulation in the jurisdiction.	Within 30 days of receipt, proposed charter must be published at least twice in one or more newspapers of general circulation in the jurisdiction.
Election on Proposed Charter	Next general or congressional election.	Special or regular election held no sooner than 30 days or more than 90 days after publication.
Result of Election	If majority favor adoption of charter, charter effective on the 30th day from the date of election. If majority reject adoption of charter, process ends.	If majority favor adoption of charter, charter effective on the 30th day after date of election or later date specified in charter. If majority reject adoption of charter, process ends.

Source: Department of Legislative Services

County Charter

The charter of a county is often likened to a constitution. It establishes a framework for county government, subject to the constitution and public general laws of the State. Although county charters vary, they generally cover legislative and executive functions and the structure and organization of government, including the establishment of county offices, departments, and boards. County fiscal, personnel, purchasing, and ethics matters are often addressed. In some counties, the charter limits the level of county debt and taxes.

Although the charter may prescribe certain limits affecting the operation of county government, the voters may not abate the constitutionally prescribed role of the council through provisions of the charter. For example, a charter may authorize the citizens of a county to petition a legislative enactment of the council to referendum, similar to the constitutional right of the citizens of the State to petition certain legislation passed by the General Assembly to referendum. But a charter may not grant the citizens of the county the power of initiative. The power of initiative is inconsistent with the constitutionally prescribed role of the council under Article XI-A, Section 3 of the Maryland Constitution. Moreover, the voters may not legislate through the charter amendment process. In September 1998, the Court of Appeals invalidated efforts by citizens in Harford and Montgomery counties to address certain matters through proposed charter amendments. The proposal put forth in Harford County would have allowed voters to decide whether to ban new development for a year. The proposal put forth in Montgomery County would have allowed the voters to ban speed bumps on residential streets.

While a county charter is similar to a constitution, there are some noteworthy differences. For example, unlike the Maryland Constitution under which constitutional amendments may only be proposed by the General Assembly, amendments to county charters may be proposed by either the mayor and city council of Baltimore City or county council, or the voters themselves. Article XI-A, Section 5 of the Constitution addresses the charter amendment process. Basically, charter amendments may be proposed by resolution of the council or by a petition signed by at least 20 percent of the registered voters or by 10,000 registered voters, whichever is less. The petition is filed with the council and published in local newspapers. The proposed amendment is then submitted for consideration by the voters at the next general or congressional election. If the voters approve the proposed amendment, the amendment becomes part of the charter on the thirtieth day after the election.

Constitutional Authority

Article XI-A of the Maryland Constitution specifies the authority of charter counties as outlined below:

- Section 1 allows the voters of each county, as well as Baltimore City, to adopt a charter form of government under which a locally elected council is authorized to legislate on local matters, to the extent authorized by a grant of express powers from the General Assembly.
- Section 1A sets forth alternative procedures for the adoption of charter home rule.
- Section 2 mandates that the General Assembly provide a grant of express powers to charter counties by public general law. The right to alter the express powers is reserved to the General Assembly.
- Section 3 requires that a county charter provide for an elective legislative body known as the county council, or in the case of Baltimore City, a city council, and allows for the election of an executive. It also vests legislative authority in the council, subject to certain limitations.
- Section 3A provides options with which a charter may provide for the election of council members.
- Section 4 restricts the General Assembly from enacting a public local law for a charter county on any matter covered by the Express Powers Act.
- Section 5 prescribes the manner in which a charter may be amended.
- Section 6 transfers from the General Assembly to the voters powers relating to the number, compensation, and powers and duties of the county governing body. However, such powers must be exercised through the charter and may not exceed powers granted to charter counties by the General Assembly.
- Section 7 addresses petition requirements for purposes of the charter home rule amendment of the Constitution.

Statutory Powers

Except as it relates to the adoption of charter home rule, the Maryland Constitution does not actually grant authority to charter counties. Instead, Article XI-A, Section 2 of the constitution requires the General Assembly to provide by public general law a grant of express powers for those counties that adopt charter home rule. The General Assembly has complied with this mandate with enactment of Article 25A, Sections 4 and 5 of the Annotated Code of Maryland (the “Express Powers Act”).

Article 25A, Section 4 of the Annotated Code of Maryland provides in part that a charter county “shall be entitled to exercise the following express powers ... granted as a substitute for and in extension of the powers codified in Article 25 of the Annotated Code of Maryland, title ‘County Commissioners’ ...” Subject to the constitution and the public general law of the State, a county council may enact local laws for the county on any matter covered under the Express Powers Act. The county council may also amend or repeal a local law adopted by the General Assembly before the adoption of home rule as long as the scope of the law is within the Express Powers Act. Although a detailed treatment of the Express Powers Act is not provided here, it is worth mentioning some specific provisions as illustrative of a charter county’s authority. A charter county may establish civil penalties and criminal penalties up to a certain statutory cap. It may incur general obligation debt up to a certain statutory cap and subject to the possibility of a petition to referendum. It may establish special taxing districts for any of the purposes enumerated in Article 25A of the Annotated Code of Maryland. It exercises zoning authority under the Express Powers Act rather than Article 66B of the Annotated Code of Maryland.

An important enumerated power of charter counties is the general welfare clause under Article 25A, Section 5(S) of the Annotated Code of Maryland:

The foregoing or other enumeration of powers in this article shall not be held to limit the power of the county council, in addition thereto, to pass all ordinances, resolutions or bylaws, not inconsistent with the provisions of this article or the laws of the State, as may be proper in executing and enforcing any of the powers enumerated in this section or elsewhere in this article, as well as such ordinances as may be deemed expedient in maintaining the peace, good government, health and welfare of the county...

This provision, referred to as the so-called “police powers,” allows charter counties to enact local laws for the public good as long as the local laws are not

inconsistent with the public general law of the State. In interpreting this provision, the Maryland Court of Appeals has stated that, “[g]ratification would not be afforded the purposes of home rule or the reasons which prompted it if the language of [Article 25A, Section 5(S)] were not to be construed as a broad grant of power to legislate on matters not specifically enumerated in Art. 25A ...” (*Mont. Citizens League v. Greenhalgh*, 253 Md. 151, 160-161 (1969))

Although charter counties have broad home rule authority, such authority is not unlimited. The Express Powers Act does not grant charter counties general taxing authority, although some charter counties have received limited taxing authority under other laws. Moreover, charter counties may not legislate in areas that would not be considered “local law.” For example, the Court of Appeals has rejected an effort by a charter county to establish what was viewed as a new legal cause of action, a right reserved to the General Assembly or Court of Appeals. For matters outside the Express Powers Act, charter counties are required to seek authority from the General Assembly.

Structure and Election of County Officers

Seven of the nine charter counties have an elected county executive and county council structure; consequently, there is a separation of executive and legislative powers similar to that found in State government. Dorchester and Talbot counties use a council-manager form of government. Although significant responsibility for executive functions may be vested in the county administrator or manager, the individual in that position is appointed by and ultimately responsible to the county council.

Article XI-A, Section 3A of the Maryland Constitution provides alternatives by which council members may be elected. Council members may be elected by councilmanic districts, at-large, or a combination of these methods. Further, Article 25A, Section 3 of the Annotated Code of Maryland provides that a charter may require council members to reside within specified districts but be elected by voters throughout the county. Under Article XVII of the Maryland Constitution, all council members and any elected executives serve four-year terms and are elected at the same time that the Governor and members of the General Assembly are elected. In 1996, the constitution was amended to allow council vacancies to be filled by special election as authorized by the General Assembly. Within these limits, and limits contained in the federal constitution, the voters in a charter county have considerable discretion in shaping the structure of their county government through the charter. Exhibit 2.2 shows the structure and election system for each charter county.

Baltimore City

Baltimore City is unique among Maryland's local governments. While the city is a municipal corporation, it is treated as a county for most purposes of State law because it derives its home rule powers under Article XI-A of the Maryland Constitution, the first article under which the city and counties were given the opportunity to exercise home rule, rather than Article XI-E of the Maryland Constitution which grants home rule to the rest of the municipal corporations in the State. Moreover, Article 1, Section 14 of the Annotated Code of Maryland provides that, for purposes of the code, the word "county" includes the City of Baltimore unless such construction would be unreasonable. In addition, in Article 23A, Section 9, the City of Baltimore is specifically excluded from the definition of "municipal corporation" for that article which otherwise applies to the State's municipal corporations.

Originally, Baltimore City was established as a municipal corporation within the confines of Baltimore County. The government performed exclusively municipal functions. In 1851, Baltimore City was separated from Baltimore County and has since functioned as an independent unit. The Baltimore City Charter enumerates the powers of the city and defines its administrative and organizational structure. Unlike the charter counties, the express powers granted to the city by the General Assembly are codified in Article II of the Baltimore City Charter rather than in Article 25A of the Annotated Code of Maryland. The voters of Baltimore City may not alter this particular article of the charter; revisions to the city's express powers can be made only by the General Assembly. In addition, the procedure for issuance of general obligation debt in Baltimore City was established in the constitution and can only be changed through constitutional amendment.

The Baltimore City Charter sets forth the structure of the city government. The Mayor and City Council of Baltimore govern jointly. They share general powers to address health, safety, and welfare issues. Baltimore City has three officials who are elected citywide: the mayor, the comptroller, and the president of the city council. These officials along with the city solicitor and director of public works sit as the Board of Estimates. This board creates the annual city budget, awards contracts, supervises procurement, and establishes salaries and working conditions for city employees. In 2004, the city charter was amended to reduce the number of council members to 15, including the president of the city council. The other 14 members are elected by single-member districts.

Unlike the election year cycle for the governor, most other State officers, and most county officers as required under Article XVII of the Maryland Constitution, Baltimore's elections are not bound by Article XVII and have been held, in accordance with the city

charter, in the years after each election of the governor, e.g., in 1995 and 1999. There was an aberration to this cycling when the city's voters in 1999 approved changes to the city charter that would have moved both the city's primary and general election dates to presidential election years. However, the Office of the Attorney General advised that the city had authority to change only the date of the general election. (87 Op. Att'y Gen. ___ (2002) [Opinion No. 02-018 (October 17, 2002)]). Accordingly, in the next election cycle, the Baltimore City primary was held in September 2003 and the municipal general election was held in November 2004. In 2004, the city voters approved further changes to the city's charter to provide that the city's officers will next be elected in 2007 and every four years afterwards.

Code Counties

Adoption of Code Home Rule

In comparison to the procedures for adopting charter home rule, adoption of code home rule is relatively simple. This procedure is governed by Article XI-F, Section 2 of the constitution as supplemented by Article 25B, Sections 3 through 7 of the Annotated Code of Maryland. This process is outlined in Exhibit 2.4. Basically, a board of county commissioners initiates and votes, after public notice and hearings, on a resolution to adopt code home rule; if the board passes the resolution, the question is put to the voters for their approval or rejection at the next general election. There is no drafting of a charter or need to reorganize the county government. Exhibit 2.1 lists the six counties that have adopted code home rule and the year of adoption.

Exhibit 2.4
**Adoption of Code Home Rule under Article XI-F of the
 Maryland Constitution and Article 25B of the Code**

Initiation of Process: Authority	Article XI-F, Section 2 of the Maryland Constitution, and Article 25B, Section 3 of the Annotated Code of Maryland, give the board of county commissioners authority to propose code home rule by resolution of a two-thirds majority of the board.
Notice of Proposed Resolution	Under Article 25B, Section 4 of the Annotated Code of Maryland, the board must publish notice containing the dates, times, and places of public hearings concerning adoption of code home rule. The notice must be published at least three times, and not more than 30 days before the first hearing, in at least one newspaper of general circulation in the county.
Public Hearings on Proposed Resolution	Under Article 25B, Section 5 of the Annotated Code of Maryland, the board shall hold at least two public hearings on the question of code home rule.
Adoption of Resolution	Under Article 25B, Section 6 of the Annotated Code of Maryland, within 60 days from the last public hearing, the board must adopt or reject the proposed resolution. Adoption requires a two-thirds majority of the board.
Election	Under Article 25B, Section 7 of the Annotated Code of Maryland, following adoption by the board, the resolution must be submitted to voters at the next general election, provided charter home rule is not on the ballot. Ballot allows voters to choose, “For Adoption of Code Home Rule Status” or “Against Adoption of Code Home Rule Status.”
Consideration of Charter Home Rule: Effect on Process	Under Article XI-F, Section 2 of the Maryland Constitution, if a proposed charter under Article XI-A of the Maryland Constitution is to be on the ballot, only the proposed charter will be submitted to voters. If the charter is adopted, the code resolution has no effect. If the proposed charter is rejected, the proposed resolution shall be submitted to voters at the next general election.
Result of Election	Under Article 25B, Section 7 of the Annotated Code of Maryland, within 10 days after receiving certification of election results, the board shall proclaim the results. If a majority favors adoption of the proposed resolution, the county becomes a code home rule county on the 30th day after the proclamation of the election results. If a majority rejects adoption of the proposed resolution, the process ends.

Source: Department of Legislative Services

Constitutional/Statutory Authority

Unlike a charter county, a code county's legislative authority is derived from two sources: (1) the General Assembly, primarily under Article 25B of the Annotated Code of Maryland; and (2) Article XI-F of the Maryland Constitution itself. The following specifies the authority of code counties under Article XI-F of the Maryland Constitution:

- Section 1 of the constitution defines “code county” and “public local law” for purposes of the article.
- Section 2 describes how code home rule is adopted, a process elaborated on by the General Assembly in Article 25B of the Annotated Code of Maryland.
- Section 3 grants a code county authority to enact, amend, or repeal a public local law of the county, except as otherwise provided in Article XI-F.
- Section 4 restricts the General Assembly from passing legislation for individual code counties.
- Section 5 requires the General Assembly to classify code counties into not more than four classes based on population or other criteria determined by the General Assembly to be appropriate. In 1997, the General Assembly classified the code counties for the first time, dividing the State into four geographic regions, or classes, as identified in Article 25B, Section 2 of the Annotated Code of Maryland.
- Section 6 describes how a code county enacts public local laws and authorizes the General Assembly to amplify the provisions by public general law. The General Assembly has passed legislation concerning code county legislative procedures which are found in Article 25B of the Annotated Code of Maryland.
- Section 7 reserves to the voters the right to petition public local laws enacted by the county commissioners of a code county to referendum.
- Section 8 allows the General Assembly to pass local laws applicable to individual code counties for purposes of restricting tax rates and county debt.

- Section 9 restricts the ability of a code county from imposing “any type of tax, license fee, franchise tax, or fee” unless authorized prior to adoption of home rule or, if authorized by the General Assembly for all code counties within a given class, following adoption of home rule.
- Section 10 provides that laws in effect at the time home rule is adopted continue in effect until altered under the provisions of the constitution.

As noted above, Article XI-F, Section 3 of the constitution authorizes code counties to enact public local laws. “Public local law” is defined in the constitution, in part, as “a law applicable to the incorporation, organization, or government of a code county and contained in the county’s code of public local laws” Interestingly, this definition of “public local law” does not include the term “affairs” as is included in a very similar provision for the municipal corporations under Article XI-E, Section 1 of the Maryland Constitution. Whether this term when drafted was viewed as surplusage or whether it was excluded to limit the breadth of code counties’ authority is open to interpretation. Moreover, the definition would seem to suggest that the codification of law is determinative. As discussed further in Chapter 5, in an in-depth analysis of Article XI-F of the constitution, the Office of the Attorney General has determined that a code county’s authority nonetheless should be broadly construed. However, this view may be inconsistent with those who view code home rule as an intermediate step short of charter home rule.

In terms of statutory authority, the primary source is Article 25B of the Annotated Code of Maryland. Article 25B, Section 13 provides that a code county may exercise, in addition to other powers under “any public general or local law applicable to the county,” the powers enumerated in Article 25 of the Annotated Code of Maryland in Section 3 and the subtitle “Draining Lands,” and in Article 25A of the Annotated Code of Maryland in Section 5 (the Express Powers Act for charter counties) other than Subsections 5(A), (P), and (S). Article 25A, Section 5(A) deals with passage of legislation and Section 5(P) deals with general obligation debt. Interestingly, both of these powers are granted to code counties under alternative provisions of law elsewhere in Article 25B. Article 25A, Section 5(S): enables amendments to a county charter (which a code county does not have); requires the express powers to be exercised only to the extent as not provided for by public general law and prohibits any legislation dealing with alcoholic beverages (which are the same provisions applicable to all local governments); and grants the authority to pass ordinances “deemed expedient in maintaining the peace, good government, health and welfare of the county,” the so-called “police powers.” This last provision is yet another source of much debate over the scope of authority that a code county may exercise.

Structure and Election of County Officers

When a commission county adopts code home rule, it retains a board of county commissioners as its governing body. The board exercises both legislative and executive authority. Although a code county may delegate significant authority to a county administrator or other personnel, ultimate authority remains with the county commissioners. Because the number of commissioners and method of election are controlled by public local law, the county commissioners may alter the composition of the board, subject to applicable restrictions of the Maryland Constitution. The current structure in place in each code county is summarized in Exhibit 2.2. Under Article XVII of the constitution, the county commissioners in all code counties serve four-year terms and are elected at the same time as the Governor and members of the General Assembly.

Chapter 3. Municipal Corporations

There are 156 municipal corporations, commonly referred to as municipalities, with home rule powers under Article XI-E of the Maryland Constitution. While the City of Baltimore is a municipal corporation, it is usually grouped with the charter home rule counties for legal and legislative purposes because it receives its home rule authority under Article XI-A of the constitution.

Despite a common foundation under Article XI-E of the Maryland Constitution, there is a great variety in the size, structure, budget, and services of municipal corporations. With limited exceptions, the authority granted to municipal corporations under the constitution and public general laws is uniform throughout the State. However, the extent that such authority is exercised within an individual municipal corporation is a decision of the voters by adoption or amendment of their charter and, within the confines of the charter, a decision of their elected governing body by adoption of local laws. This chapter reviews the development and powers of municipal corporations.

Historical Development

From the 1600s to the mid-1950s, the General Assembly closely supervised the creation and operation of municipal corporations in the State through the enactment of public local laws. Of the 156 municipal corporations still in existence, all but five were created by the General Assembly before municipal corporations were granted home rule authority in 1954. Exhibit 3.1 shows the time periods in which municipal corporations were established.

Exhibit 3.1
Establishment of Maryland Municipal Corporations

<u>Time Period</u>	<u>Number</u>	<u>% of Total</u>
1700s	6	3.8%
1800s	90	57.7%
1900 - 1953	55	35.3%
1954 - Present	5	3.2%
Total	156	100.0%

Source: Department of Legislative Services

The oldest municipal corporation is Annapolis, in Anne Arundel County, created by Chapter 7 of 1708. Only five other existing municipal corporations were created in the eighteenth century – Havre de Grace (Harford County – 1785), Charlestown (Cecil County – 1786), Easton (Talbot County – 1790), Cambridge (Dorchester County – 1793), and Centreville (Queen Anne’s County – 1794). The State created 90 of the existing municipal corporations from 1800 to 1899, and 55 of the existing municipal corporations from 1900 to 1954. The last three municipal corporations created by the General Assembly prior to the ratification of municipal home rule authority were Brookview (Dorchester County), New Carrollton (Prince George’s County), and Queen Anne (Queen Anne’s and Talbot counties), all established in 1953.

After 1954, the General Assembly’s involvement in local municipal affairs diminished significantly with the ratification of Article XI-E of the Maryland Constitution, which provides for municipal home rule. Since ratification of the Municipal Home Rule Amendment, there have been only five new municipal incorporations. All these municipal corporations are located in Montgomery County and all were originally created by the State as special taxing districts: Village of Chevy Chase, Section 3 (1982); Village of Chevy Chase, Section 5 (1982); Village of Martin’s Additions (1985); Town of Chevy Chase View (1993); and Village of North Chevy Chase (1996). While the particular reasons and histories vary, the common theme in pursuing and achieving municipal status is the desire to exercise home rule powers under Article XI-E of the constitution. Rather than by action of the General Assembly, these new municipal corporations were created by the successful referendum of the voters in each of the former special taxing districts in accordance with the provisions of Article 23A, Sections 20 through 30 of the Annotated Code of Maryland.

Despite the overall growth in the total number of municipal corporations throughout Maryland’s history, it is important to note that over the years several municipal corporations have formally dissolved. For example, the municipal charter of Piscataway, in Prince George’s County, was proclaimed repealed by the Secretary of State in 1964 under the provisions of Article 23A, Section 43 of the Annotated Code. Other former municipal corporations include St. Mary’s City in St. Mary’s County and Arundel on the Bay in Anne Arundel County.

Exhibit 3.2 lists the authority by which today’s 156 municipal corporations were created within each county.

Exhibit 3.2
Incorporated Cities and Towns

<u>County</u>	<u>Year</u>	<u>Chapter/ Referendum</u>	<u>County</u>	<u>Year</u>	<u>Chapter/ Referendum</u>
Allegany			Carroll		
Barton	1900	Ch. 729	Hampstead	1888	Ch. 295
Cumberland	1815	Ch. 136	Manchester	1833	Ch. 193
Frostburg	1839	Ch. 179	Mount Airy	1894	Ch. 91
Lonaconing	1890	Ch. 132	(also in Frederick)		
Luke	1922	Ch. 73	New Windsor	1843	Ch. 47
Midland	1900	Ch. 681	Sykesville	1904	Ch. 256
Westernport	1858	Ch. 54	Taneytown	1836	Ch. 309
			Union Bridge	1872	Ch. 174
			Westminster	1818	Ch. 128
Anne Arundel			Cecil		
Annapolis	1708	Ch. 7	Cecilton	1864	Ch. 353
Highland Beach	1922	Ch. 213	Charlestown	1786	Ch. 20
			Chesapeake City	1849	Ch. 271
Baltimore			Elkton	1821	Ch. 143
None			North East	1849	Ch. 339
			Perryville	1882	Ch. 212
Calvert			Port Deposit	1824	Ch. 33
Chesapeake Beach	1886	Ch. 203	Rising Sun	1860	Ch. 383
North Beach	1910	Ch. 395			
			Charles		
Caroline			Indian Head	1920	Ch. 590
Denton	1802	Ch. 25	La Plata	1888	Ch. 325
Federalsburg	1823	Ch. 174	Port Tobacco	1888	Ch. 297
Goldsboro	1906	Ch. 87			
Greensboro	1826	Ch. 97			
Henderson	1949	Ch. 498			
Hillsboro	1853	Ch. 161			
Marydel	1929	Ch. 38			
Preston	1892	Ch. 689			
Ridgely	1896	Ch. 178			
Templeville	1865	Ch. 86			
(also in Queen Anne's)					

Exhibit 3.2 (continued)
Incorporated Cities and Towns

<u>County</u>	<u>Year</u>	<u>Chapter/ Referendum</u>	<u>County</u>	<u>Year</u>	<u>Chapter/ Referendum</u>
Dorchester			Howard		
Brookview	1953	Ch. 704	None		
Cambridge	1793	Ch. 66			
Church Creek	1867	Ch. 53	Kent		
East New Market	1832	Ch. 167	Betterton	1906	Ch. 227
Eldorado	1947	Ch. 313	Chestertown	1805	Ch. 271
Galestown	1951	Ch. 92	Galena	1858	Ch. 373
Hurlock	1892	Ch. 249	Millington	1890	Ch. 386
Secretary	1900	Ch. 555	(also in Queen Anne's)		
Vienna	1833	Ch. 216	Rock Hall	1908	Ch. 171
Frederick			Montgomery		
Brunswick	1890	Ch. 577	Barnesville	1888	Ch. 254
Burkittsville	1894	Ch. 652	Brookeville	1808	Ch. 90
Emmitsburg	1824	Ch. 29	Chevy Chase	1918	Ch. 177
Frederick	1816	Ch. 74	Chevy Chase, Sec. 3	1982	Referendum
Middletown	1833	Ch. 143	Chevy Chase, Sec. 5	1982	Referendum
Mount Airy	1894	Ch. 91	Chevy Chase View	1993	Referendum
(also in Carroll)			Chevy Chase Village	1910	Ch. 382
Myersville	1904	Ch. 94	Gaithersburg	1878	Ch. 397
New Market	1878	Ch. 90	Garrett Park	1898	Ch. 453
Rosemont	1953	Ch. 262	Glen Echo	1904	Ch. 436
Thurmont	1894	Ch. 16	Kensington	1894	Ch. 621
Walkersville	1892	Ch. 351	Laytonsville	1892	Ch. 497
Woodsboro	1836	Ch. 299	Martin's Additions	1985	Referendum
Garrett			North Chevy Chase	1996	Referendum
Accident	1916	Ch. 514	Poolesville	1867	Ch. 174
Deer Park	1884	Ch. 519	Rockville	1860	Ch. 373
Friendsville	1902	Ch. 477	Somerset	1906	Ch. 795
Grantsville	1864	Ch. 99	Takoma Park	1890	Ch. 480
Kitzmiller	1906	Ch. 285	Washington Grove	1937	Ch. 372
Loch Lynn Heights	1896	Ch. 450			
Mountain Lake Park	1931	Ch. 507			
Oakland	1862	Ch. 250			
Harford					
Aberdeen	1892	Ch. 136			
Bel Air	1874	Ch. 273			
Havre de Grace	1785	Ch. 55			

Exhibit 3.2 (continued)
Incorporated Cities and Towns

<u>County</u>	<u>Year</u>	<u>Chapter/ Referendum</u>	<u>County</u>	<u>Year</u>	<u>Chapter/ Referendum</u>
Prince George's			St. Mary's		
Berwyn Heights	1896	Ch. 267	Leonardtwn	1858	Ch. 73
Bladensburg	1854	Ch. 137			
Bowie	1882	Ch. 488	Somerset		
Brentwood	1912	Ch. 401	Crisfield	1872	Ch. 151
Capitol Heights	1910	Ch. 513	Princess Anne	1894	Ch. 543
Cheverly	1931	Ch. 200			
College Park	1945	Ch. 1051	Talbot		
Colmar Manor	1927	Ch. 178	Easton	1790	Ch. 14
Cottage City	1924	Ch. 390	Oxford	1852	Ch. 367
District Heights	1936	Ch. 61	Queen Anne	1953	Ch. 17
Eagle Harbor	1936	Ch. 397	(also in Queen Anne's)		
Edmonston	1924	Ch. 154	St. Michaels	1804	Ch. 82
Fairmount Heights	1935	Ch. 199	Trappe	1827	Ch. 103
Forest Heights	1949	Ch. 142			
Glenarden	1939	Ch. 650	Washington		
Greenbelt	1937	Ch. 532	Boonsboro	1831	Ch. 139
Hyattsville	1886	Ch. 424	Clear Spring	1836	Ch. 141
Landover Hills	1945	Ch. 465	Funkstown	1840	Ch. 78
Laurel	1870	Ch. 260	Hagerstown	1813	Ch. 121
Morningside	1949	Ch. 589	Hancock	1853	Ch. 319
Mount Rainier	1910	Ch. 514	Keedysville	1872	Ch. 251
New Carrollton	1953	Ch. 441	Sharpsburg	1832	Ch. 28
North Brentwood	1924	Ch. 508	Smithsburg	1841	Ch. 284
Riverdale Park	1920	Ch. 731	Williamsport	1823	Ch. 125
Seat Pleasant	1931	Ch. 197			
University Park	1936	Ch. 132	Wicomico		
Upper Marlboro	1870	Ch. 363	Delmar	1888	Ch. 167
			Fruitland	1947	Ch. 662
Queen Anne's			Hebron	1931	Ch. 90
Barclay	1931	Ch. 483	Mardela Springs	1906	Ch. 325
Centreville	1794	Ch. 23	Pittsville	1906	Ch. 499
Church Hill	1876	Ch. 201	Salisbury	1854	Ch. 287
Millington (also in Kent)	1890	Ch. 386	Sharptown	1874	Ch. 465
Queen Anne (also in Talbot)	1953	Ch. 17	Willards	1906	Ch. 195
Queenstown	1892	Ch. 542	Worcester		
Sudlersville	1870	Ch. 313	Berlin	1868	Ch. 424
Templeville	1865	Ch. 86	Ocean City	1880	Ch. 209
(also in Caroline)			Pocomoke City	1878	Ch. 253
			Snow Hill	1812	Ch. 72

Source: Maryland State Archives; Department of Legislative Services

Constitutional Home Rule

Prior to 1954, the General Assembly closely supervised the creation and operation of municipal corporations by enacting individually drafted charters and any amendments to the charters. However, the General Assembly shifted the balance of municipal power to the municipal corporations themselves with the adoption of Chapter 53 of 1954, proposing a constitutional amendment. Upon ratification by the voters on November 2, 1954, Article XI-E, known as the “Municipal Home Rule Amendment,” was added to the Maryland Constitution. The general purpose of Article XI-E is to permit the municipal corporations to govern themselves in local matters. The courts have interpreted this amendment as a strong and explicit intention that the General Assembly only address the charters of the municipal corporations on a general basis and not pass local legislation to amend the charters of individual municipal corporations.

Article XI-E of the Maryland Constitution specifies certain provisions relating to municipal corporations as outlined below:

- Section 1 of the Maryland Constitution, except as otherwise provided, provides that the General Assembly may only legislate on matters relating to the incorporation, organization, government, or affairs of municipal corporations by general laws which apply “alike to all municipal corporations in one or more of the classes provided for in Section 2 of this Article.”
- Section 2 requires the General Assembly to divide municipal corporations into not more than four classes based on population. However, Article 23A, Section 10 of the Annotated Code of Maryland provides that there is only one class, which contains all municipal corporations.
- Section 3 grants each municipal corporation authority to adopt a new charter or to amend or repeal its municipal charter or local laws relating to the incorporation, organization, government, or affairs of the municipal corporation.
- Section 4 addresses the manner in which a municipal charter may be amended and requires the General Assembly to amplify its provisions by general law. Statutory provisions governing municipal charter amendments are codified in Article 23A, Sections 11 through 18 of the Annotated Code of Maryland.
- Section 5 grants the General Assembly authority to set maximum property tax rates and to limit the amount of debt that a municipal corporation may incur.

However, a tax or debt limit may not take effect until approved by the voters of the municipal corporation at a regular or special election.

- Section 5 also prohibits a municipal corporation from levying “any type of tax, license fee, franchise tax or fee” that was not in effect on January 1, 1954, unless authorized by the General Assembly by general law.
- Section 6 addresses the relationship between municipal charters and other law.

Incorporation Process

Article 23A, Sections 20 through 30 of the Annotated Code of Maryland prescribe the manner in which a new municipal corporation is incorporated under Article XI-E of the Maryland Constitution.

In order to incorporate, a community must consist of a minimum of 300 residents in the area proposed for incorporation. A petition to incorporate must be submitted to the county in which the area proposed for incorporation is located. A standardized petition form developed by the Office of the Attorney General is available for communities seeking incorporation through each county’s board of election supervisors. If the community’s petition satisfies statutory requirements, the county must appoint a liaison to work with the community’s organizing committee. What follows is an exchange of information, development of a proposed charter, and exchange of comments between the county and the organizing committee. Next, the county may schedule a referendum on the matter of incorporation or reject a proposed incorporation. However, if a county rejects a referendum request, the county must provide in writing the reasons for the rejection and establish reasonable procedures for reconsideration of its rejection, including an opportunity for a public hearing. The county may then schedule a referendum on incorporation or affirm its earlier rejection.

If the incorporation effort advances to referendum and the voters of the community approve incorporation, the county must proclaim the results within 10 days after receiving certification from the county board of elections. Subject to certain required statutory procedures, the incorporation takes effect 30 days following the proclamation.

Governmental Structure

Neither the Maryland Constitution nor the Annotated Code of Maryland prescribes the forms of government for municipal corporations. Article 23A, Section 9(a) of the code merely states that, “the term municipal corporation shall include all cities, towns

and villages, now or hereafter created under any general or special law of this State for general governmental purposes, which are subject to the provisions of Article XI-E of the constitution, which possess legislative, administrative and police powers for the general exercise of municipal functions, and which carry on such functions through a set of elected and other officials.”

Given these broad guidelines, the forms of government that the municipal corporations have developed can be grouped into three basic categories: Commission; Mayor - Council; and Council - Manager.

According to the Maryland Municipal League, approximately 70 percent of municipal corporations utilize the mayor-council form of government. In this form of government, the mayor and council share the legislative power, and the mayor exercises the executive power. Some mayors are “stronger” than others, meaning that they have veto power over legislative actions of the council; others share power as a member of the council.

Of the other forms, approximately 20 percent have commissions and approximately 10 percent use the council-manager structure. In the commission form of government, the commissioners share the legislative power, and the executive powers are generally divided among the different commissioners. In the council-manager form of government, the council appoints a municipal manager who is the chief executive officer of the municipal corporation.

Within each category, there are variations in the qualifications, number, terms, and duties of municipal officials. Titles of municipal officials also vary; for example, in some municipal corporations, such as the Town of Middletown, the title “burgess” is used.

In addition, the governing bodies of municipal corporations can appoint managers or administrators who help implement the policies developed by elected officials. Municipal managers may also provide the corporate memory and attention to details that policy-oriented and often transient elected officials frequently cannot offer. According to the Maryland Municipal League, 114 municipal corporations have full-time, professional managers or administrators, and 16 municipal corporations have part-time, circuit-rider administrators. In the remaining 26 municipal corporations, the day-to-day administrative operations are conducted by the elected officials, typically the mayor.

Election of Local Officials

Because municipal corporations are not subject to Article XVII of the Maryland Constitution (Quadrennial Elections), they have considerable discretion as to the manner

in which local officials are elected. Local election procedures are outlined in the charters of the municipal corporations. Municipal charters establish the terms of office and dates of elections. Often, the terms of office for municipal officials are staggered.

State laws governing elections generally do not apply to municipal elections. However, two State laws dealing with municipal elections are noteworthy. Title 3, Subtitle 4 of the Election Law Article provides generally for the universal registration of voters in municipal elections, so that the list of individuals eligible to vote in a municipal election includes those residents of the municipal corporation who are registered to vote with the local elections board for the county in which an individual's residence is located. In addition, Article 23A, Section 47 of the Annotated Code requires municipal corporations to allow voting in municipal elections by absentee ballot. In practice, municipal corporations may, and frequently do, rely on county election boards to administer municipal elections. Overall, the flexibility that municipal corporations possess in election matters contributes to the autonomy of Maryland's municipal corporations.

Powers of Municipal Corporations

Article XI-E of the Maryland Constitution grants a municipal corporation authority to amend or repeal its charter or local laws relating to the incorporation, organization, government, or affairs of the municipal corporation and authority to adopt a new charter. Procedures governing charter amendments are found in Article 23A, Sections 11 through 18 of the Annotated Code.

The General Assembly has codified the powers of a municipal corporation in Article 23A, Section 2 of the Annotated Code. This section includes a detailed list of municipal powers. Article 23A, Section 2 also provides a broad grant of authority:

...to pass such ordinances not contrary to the Constitution of Maryland, public general law, or except as provided in Section 2B of this Article [Application of county legislation to municipalities], public local law as they may deem necessary in order to assure the good government of the municipality, to protect and preserve the municipality's rights, property, and privileges, to preserve peace and good order, to secure persons and property from danger and destruction, and to protect the health, comfort and convenience of the citizens of the municipality...

In addition, three specific powers deserve particular mention: (1) amendments to municipal charters; (2) annexation of property; and (3) urban renewal powers for slum clearance. There are also two areas where municipal corporations have concurrent authority with the General Assembly: limitations on property taxes and limitations on debt.

Charter Amendments

As noted above, Article XI-E of the constitution grants authority for the amendment of municipal charters and the General Assembly has established specific procedures. A charter amendment may be initiated either by resolution of the legislative body of the municipal corporation or by a petition signed by at least 20 percent of the qualified voters of the municipality. A proposed charter amendment must contain only a single subject. The law prescribes detailed procedural requirements pertaining to proposed charter amendments, including notice and publication requirements. An amendment proposed by the legislative body may be petitioned to referendum by 20 percent of the qualified voters. Otherwise, it may be adopted as proposed by majority vote of the legislative body. A charter amendment proposed by petition may be either adopted by resolution of the legislative body or submitted to referendum.

If a charter amendment is petitioned or submitted to referendum, the election may be held at the next regular municipal election or at a special election held within a statutorily prescribed time frame. Within 10 days following an election, the mayor or chief executive officer of the municipal corporation is required to proclaim the results. The law prescribes the time that a proposed charter amendment normally takes effect, subject to certain procedural requirements under Article 23A of the Annotated Code of Maryland.

Annexations

As part of its home rule powers, a municipal corporation may annex contiguous, unincorporated property in accordance with the provisions of Article 23A, Section 19 of the Annotated Code. An annexation may be initiated by the municipal legislative body or by petition of the residents of the area seeking annexation. The legislative body must satisfy public notice and hearing requirements on the resolution to incorporate. In addition, pursuant to changes to the annexation laws under Chapter 381 of 2006, the governing body of a municipal corporation that exercises zoning authority must develop an annexation plan as part of a proposed annexation. After October 1, 2009, the annexation plan must be consistent with the municipal growth element contained in the municipal corporation's comprehensive plan that is developed in consultation with the county in which the municipal corporation is located and submitted to the Maryland

Department of Planning. The annexation resolution becomes effective after the favorable vote by the legislative body, provided that the resolution is not petitioned to a referendum by the residents of the area seeking annexation, by the municipal residents, or by the county governing body. Following annexation, Article 23A, Section 9(c) of the Annotated Code restricts substantial changes by the municipal corporation in the use or density for the zoning classification applicable at the time of the annexation without the consent of the county.

Urban Renewal Powers for Slum Clearance

Notwithstanding the broad grant of municipal home rule authority under the constitution and Article 23A of the code, and the general condemnation power under Article 23A, Section 2(b)(24) in particular, a municipal corporation must receive express authority from the General Assembly in order to exercise urban renewal powers for slum clearance. This power is authorized under Article III, Section 61 of the Maryland Constitution, the Urban Renewal Amendment. This provision allows the General Assembly to authorize a municipal corporation (or a county) to carry out urban renewal projects and to condemn property for this purpose. To date, 66 out of Maryland's 156 municipal corporations have been granted urban renewal authority under this provision of the constitution. Once granted this authority, a municipal corporation may condemn individual blighted properties under Article 23A, Section 2(b)(37) of the code.

Limitations on Municipal Authority

Although municipal corporations exercise broad home rule authority, such authority is not absolute. Article XI-E, Section 6 of the constitution provides, in part, that “[a]ll charter provisions, or amendments thereto ... shall be subject to all applicable [public general] laws enacted by the General Assembly...” This provision also restricts municipal corporations from regulating alcoholic beverage sales as well as sales on Sundays (blue laws) in its charter. Article XI-E restricts a municipal corporation from imposing “any tax, license fee, franchise tax or fee” unless it was in effect on January 1, 1954, or authorized by the General Assembly for all municipal corporations within a given class. Moreover, the governing body of a municipal corporation may not legislate in areas that have been preempted by the State either by express preemption or preemption by implication.

Codification of Municipal Charters

While municipal corporations have broad authority to amend their charters, the law requires municipal corporations to follow certain procedures. Under Article 23A, Section 9A(c) municipal corporations must regularly mail charter amendment resolutions,

as well as all annexation resolutions, to the Department of Legislative Services within 10 days of the effective date of the resolution. Generally, provided that a resolution is not petitioned to referendum, the effective date for a charter resolution is 50 days after enactment, and for an annexation resolution, no earlier than 45 days after enactment (Article 23A, §§ 13(f) and 19(e)).

In accordance with Chapter 77 of 1983, and Sections 10 and 11 of Chapter 14 of 1997, the Department of Legislative Services publishes a compilation of all the municipal charters, *Public Local Laws of Maryland - Compilation of Municipal Charters*. This publication contains the official version of the charter for each municipal corporation in the State and is updated annually to reflect the charter amendments that are passed by the legislative body of each municipal corporation. The compilation also includes the urban renewal powers that have been granted by the General Assembly under Article III, Section 61 of the Constitution of Maryland. An appendix to the charter of each of these municipal corporations reflects the specific urban renewal powers of that municipal corporation. The appendix may be amended or repealed only by the General Assembly.

Chapter 4. Special Taxing Districts and Regional Agencies

While the term local government usually refers to counties and municipal corporations, other local government entities known as special districts have been created by State or local law to address specific goals or needs within a small geographic area, or to deal with issues and problems that cross county boundaries. Despite sharing some features similar to counties and municipal corporations, these entities lack home rule authority and must come to the legislative body that created them in order to change the scope of their powers.

According to the U.S. Census Bureau's *2002 Census of Governments*, Maryland has 85 special districts. The Census Bureau defines special districts as independent, special purpose governmental units, excluding school district governments, that exist as separate entities with substantial administrative and fiscal independence from general purpose governments. Exhibit 4.1 lists the number of special districts in each county and Baltimore City as defined by the U.S. Census Bureau. Special districts provide specific services that are not being supplied by existing general purpose governments. Although most special districts perform a single function, in some cases the enabling legislation for a special district allows for the provision of multiple services.

Exhibit 4.1
Special Districts Based on Census Classifications – 2002

<u>County</u>	<u>Special Districts</u>	<u>County</u>	<u>Special Districts</u>
Allegany	15	Harford	3
Anne Arundel	4	Howard	2
Baltimore City	4	Kent	1
Baltimore	2	Montgomery	6
Calvert	2	Prince George's	3
Caroline	1	Queen Anne's	2
Carroll	1	St. Mary's	2
Cecil	3	Somerset	5
Charles	2	Talbot	3
Dorchester	3	Washington	3
Frederick	3	Wicomico	3
Garrett	2	Worcester	10

Source: U. S. Census Bureau, *2002 Census of Governments*

This chapter does not address every form of special district in Maryland. Instead, discussion is limited to multi-purpose special taxing districts that have been created by the General Assembly and by the authority of Maryland's counties and municipal corporations to establish special taxing districts within their boundaries. This chapter concludes with a brief overview of regional agencies that operate under State law. These entities may or may not fit the definition of a special district; however, they do work closely with local governments in their respective regions.

Special Taxing Districts in Maryland

This category of local government is quite broad. Special taxing districts include entities created by the General Assembly and entities created by a county or municipal corporation. Some special taxing districts resemble municipal corporations because they provide a range of municipal services. Other districts exist for a limited purpose, such as the financing of public drainage associations within a limited area or the creation and maintenance of street lighting in a particular neighborhood. Despite this variety in origin and powers, each district has some sort of tax-setting or fee-charging power.

Special Taxing Districts Created by the State

Many of the quasi-municipal special taxing districts were created by legislation passed by the General Assembly. Unlike municipal corporations, these special taxing districts lack home rule powers and must come to the General Assembly for any changes affecting the districts' authority.

Since 1982, five special taxing districts have opted to become municipal corporations with home rule powers under Article XI-E of the Maryland Constitution. Exhibit 4.2 lists the five former special taxing districts created by the General Assembly that, through a referendum of their voters, have become municipal corporations; all are located in Montgomery County. These villages and towns are also the only new municipal incorporations created since 1954 when the Municipal Home Rule Amendment, Article XI-E of the Constitution, was ratified.

Today, there are 11 special taxing districts still in existence that were created by the General Assembly to address the needs of individual communities. Eight are located in Allegany County; three are located in Montgomery County. Each of these special taxing districts was created before its respective county obtained home rule status. Although home rule counties generally have authority to modify or abolish special taxing districts, there is an important limitation on such authority. Under Article 25A, Section 5(O) of the Annotated Code of Maryland, a home rule county's authority does not extend to special taxing districts performing municipal services, other than fire protection or

library service, that are governed by a citizens’ committee or a commission elected or appointed independently of the county’s governing body.

**Exhibit 4.2
Municipal Corporations Originally Established
as Special Taxing Districts**

<u>Name of Municipal Corporation</u>	<u>Year of Incorporation</u>
Village of Chevy Chase, Section 3	1982
Village of Chevy Chase, Section 5	1982
Village of Martin’s Additions	1985
Town of Chevy Chase View	1993
Village of North Chevy Chase	1996

Source: Department of Legislative Services

The 11 extant special taxing districts are described below.

Allegany County

Bel Air Special Taxing Area was created by Chapter 171 of 1965 to provide street lighting. Surplus resources are to be used for contributions to volunteer fire departments, playgrounds, and other facilities and services desired by residents. A maximum real property tax rate of 4 cents per \$100 of assessable base may be adopted by the committee. The real property tax rate in fiscal 2007 was set at 4 cents. The tax is levied by the Board of County Commissioners of Allegany County on behalf of the district and collected in conjunction with county property taxes. It is governed by a citizens’ committee of seven members elected to three-year staggered terms.

Bowling Green and Robert’s Place Special Taxing Area was created by Chapter 637 of 1972 to provide street lighting, a water system, street signs, refuse collection, and recreational facilities. Surplus resources are to be used for contributions to fire departments. A maximum real property tax rate of 3.2 cents per \$100 of assessable base may be adopted by the committee. The real property tax rate in fiscal 2007 was set at 3.2 cents. The tax is levied by the Board of County Commissioners of Allegany County on behalf of the district and collected in conjunction with county

property taxes. It is governed by a citizens' committee of seven members elected for three-year staggered terms.

Cresaptown Special Taxing District was created by Chapter 169 of 1949 to provide a water supply system. Surplus resources are to be used to acquire interests or rights in real property and for playgrounds and other projects and services desired by its residents. A maximum real property tax rate of 18 cents per \$100 of assessable base may be adopted by the committee. The real property tax rate in fiscal 2007 was set at 4 cents. The tax is levied by the Board of County Commissioners of Allegany County on behalf of the district and collected in conjunction with county property taxes. It is governed by the Cresaptown Civic Improvement Association, a citizens' committee of five members elected for five-year staggered terms.

Ellerslie Special Taxing Area was created by Chapter 587 of 1963 to provide street lighting. Surplus resources are to be used for playgrounds and other projects and services desired by its residents. A maximum real property tax rate of 6 cents per \$100 of assessable base may be adopted by the committee. The real property tax rate in fiscal 2007 was set at 4 cents. The tax is levied by the Board of County Commissioners of Allegany County on behalf of the district and collected in conjunction with county property taxes. It is governed by a citizens' committee of five members elected for two-year staggered terms.

LaVale Sanitary District was created by Chapter 13 of 1947 to provide water and sewer service. A maximum real property tax rate of 40 cents per \$100 of assessable base may be adopted by the district commissioners. The real property tax rate in fiscal 2007 was set at 10 cents. The tax is levied by the Board of County Commissioners of Allegany County on behalf of the district and collected in conjunction with county property taxes. It is governed by three commissioners appointed to staggered six-year terms by the Allegany County Commissioners.

McCoole Special Taxing District was created by Chapter 505 of 1965 to provide street lighting. Surplus resources are to be used for playgrounds and other projects and services desired by its residents. A maximum real property tax rate of 8 cents per \$100 of assessed value may be adopted by the committee. The real property tax rate in fiscal 2007 was set at 4 cents. The tax is levied by the Board of County Commissioners of Allegany County on behalf of the district and collected in conjunction with county property taxes. It is governed by a citizens' committee of three members elected for three-year staggered terms.

Mount Savage Special Tax Area was created by Chapter 99 of 1950 to provide street lighting. Surplus resources are to be used for contributions to fire departments,

playgrounds, water supply, and other projects and services desired by its residents. A maximum real property tax rate of 8 cents per \$100 of assessed value may be adopted by the committee. The real property tax rate in fiscal 2007 was set at 4 cents. The tax is levied by the Board of County Commissioners of Allegany County on behalf of the district and collected in conjunction with county property taxes. It is governed by a citizens' committee of three members elected for two-year terms.

Potomac Park Citizens Taxing District was created by Chapter 843 of 1947 to provide street lighting and water for fire protection. Surplus resources are to be used for contributions to fire departments, playgrounds, water supply, and other projects and services desired by its residents. A maximum real property tax rate of 8 cents per \$100 of assessed value may be adopted by the committee. The real property tax rate in fiscal 2007 was set at 3.2 cents. The tax is levied by the Board of County Commissioners of Allegany County on behalf of the district and collected in conjunction with county property taxes. It is governed by a citizens' committee of five members elected for two-year staggered terms.

Montgomery County

Village of Drummond Special Taxing Area was created by Chapter 22 of 1916 to construct and maintain streets, and to provide lighting, drainage, sewage, refuse, police, and fire services. A maximum real property tax rate of 14 cents per \$100 of assessed value and a five-year front foot assessment may be adopted by the committee. The real property tax rate in fiscal 2007 was set at 4.8 cents. Indebtedness of the area may not exceed 10 percent of the assessed valuation of the operating real property of a public utility within the Village of Drummond. The tax is levied by the Montgomery County Council on behalf of the district and collected in conjunction with county property taxes. It is governed by a citizens' committee of three members elected annually.

The Village of Friendship Heights Special Tax District is comprised of two villages, "Friendship Heights" and "The Hills." The district was created by Chapter 131 of 1914 to construct and maintain streets, and to provide lighting, sewage, refuse, police, and fire services. A real property tax rate of not less than 4 cents or more than 20 cents per \$100 of assessed value and a three-year front foot assessment may be adopted by the village council. The real property tax rate in fiscal 2007 was set at 4 cents. Indebtedness may not exceed 10 percent of the assessed valuation of the operating real property of a public utility within the taxable area. The tax is levied by the Montgomery County Council on behalf of the district and collected in conjunction with county property taxes. The district is governed by a village council of seven members elected to two-year terms.

Oakmont Special Tax District was created by Chapter 190 of 1918 to construct and maintain streets and to provide lighting, sanitation, and other maintenance and upkeep of existing improvements. A real property tax rate of not less than 4 cents or more than 20 cents per \$100 of assessed value and a front foot assessment of not less than 8 years or more than 15 years may be adopted by the committee. The real property tax rate in fiscal 2007 was set at 6 cents. Indebtedness may not exceed 2 percent of the assessed valuation of the operating real property of a public utility within the Oakmont Subdivision. The tax is levied by the Montgomery County Council on behalf of the district and collected in conjunction with county property taxes. It is governed by a citizens' committee of three members elected to three-year staggered terms.

Special Taxing Districts Created by County and Municipal Governments

All counties have authority to establish special taxing districts for limited purposes, such as providing drainage improvements or providing street lighting. In addition, the governing bodies of counties that have adopted charter home rule or code home rule also have broad authority under the Express Powers Act to create special taxing districts to carry out most municipal services. The number of special taxing districts established under this authority varies significantly. Anne Arundel County has established 65 special taxing districts known as community benefit districts. Other home rule counties have created few, if any, special taxing districts under this authority.

In addition, the General Assembly has granted nine counties (Anne Arundel, Calvert, Charles, Garrett, Howard, Prince George's, St. Mary's, Washington, and Wicomico) and Baltimore City broad authority to create special taxing districts and to levy ad valorem taxes and issue bonds and other obligations for purposes of financing infrastructure improvements (Article 24, Section 9-1301, Annotated Code and Charter of the City of Baltimore Art. II, Section 62A). The types of infrastructure improvements authorized include storm drainage systems, water and sewer systems, roads, lighting, parking, parks and recreational facilities, libraries, schools, transit facilities, and solid waste facilities.

The General Assembly also has authorized municipal corporations to create special taxing districts within their borders (Article 23A, Sections 44 and 44A, Annotated Code). Special taxing districts may be established for purposes of storm drainage systems, public parking facilities, pedestrian malls, area and street lighting, bus systems, other enumerated infrastructure improvements and municipal services, and financing capital and operating costs to enhance police, fire protection, and rescue services. However, very few municipal corporations have established special taxing districts.

Regional Agencies

Maryland has numerous governmental entities that have been established to address issues that transcend county boundaries or that are otherwise more effectively addressed on a regional basis. These entities vary in terms of organization, financing, services, and connection to the State or local governments. However, the one common element they share is that they were all established by legislation passed by the General Assembly.

Some entities serve as regional planning and development agencies such as the Baltimore Metropolitan Council, the Tri-County Council for the Lower Eastern Shore, the Tri-County Council for Southern Maryland, and the Tri-County Council for Western Maryland. Other agencies have been developed to address a more specific purpose on a regional basis. Sometimes these entities were established in connection with federal programs or in connection with cooperative efforts with governments outside of the State. Examples of regional agencies include the Northeast Maryland Waste Disposal Authority, a public corporation addressing waste disposal matters in the metropolitan region of the State; the Upper Potomac River Commission, which oversees the Savage River Dam and a sewage treatment facility, thereby regulating flow to the Potomac River; and the Washington Suburban Transit Commission, which coordinates Maryland's involvement under the Washington Metropolitan Area Transit Compact.

Two regional agencies that serve the Montgomery County and Prince George's County area, the Maryland-National Capital Park and Planning Commission and Washington Suburban Sanitary Commission, deserve additional discussion due to the level of attention they receive every session by the General Assembly.

Maryland-National Capital Park and Planning Commission

Created by Chapter 448 of 1927, the commission has jurisdiction over parks and land use planning in most of Montgomery and Prince George's counties. The commission is governed by Article 28 of the Annotated Code of Maryland.

The commission consists of 10 members serving four-year staggered terms. Five members are appointed from each county. In Prince George's County, members are appointed by the county executive with the approval of the county council. In Montgomery County, the members are appointed by the county council, subject to the approval of the County Executive. State law prescribes procedures for the appointment of commission members and selection of the commission chairman and vice chairman. The five members of the commission from each county also serve as the planning board for their respective counties.

The commission prepares and administers a general plan for the physical development of the Maryland-Washington Regional District, an area that encompasses almost all of Montgomery and Prince George's counties. This general plan is subject to the concurrence of each county council, sitting in its capacity as district council for its own county. At the direction of the respective district councils, the commission divides the general plan into planning areas and prepares master plans for each local planning area. The local master plans must include recommendations for zoning and the staging of development and necessary public improvements. The local master plans are subject to the approval of the governing district council. The commission may recommend subdivision regulations for adoption by the county council. The district council of each county generally exercises zoning authority over its own county under Article 28 of the Annotated Code.

The commission is charged with acquiring and maintaining a system of parks within the metropolitan district in the two counties. In addition, the commission operates a recreation system for Prince George's County. The commission is funded primarily through various property taxes authorized under Article 28 of the Annotated Code of Maryland and imposed by Montgomery and Prince George's counties. In addition, enterprise fund operations are supported by various service fees and charges.

Washington Suburban Sanitary Commission

Created by Chapter 122 of 1918, the commission's primary purpose is to provide water service and sewage treatment service in Montgomery and Prince George's counties. The commission is governed by Article 29 of the Annotated Code.

The sanitary commission consists of six members serving four-year staggered terms. Three members are appointed from each county by the county executive, subject to confirmation by the county council of that county. State law prescribes procedures for the appointment of commission members and selection of the commission chairman.

The commission serves nearly all of Montgomery and Prince George's counties. In Montgomery County, the Town of Poolesville operates its own water and sewer systems and the City of Rockville operates its own water system. In Prince George's County, the City of Bowie operates its own water and sewer systems although the commission does provide water in a portion of Bowie. The commission obtains water from the Patuxent River reservoirs and the Potomac River. Sewage treatment is provided at various facilities throughout the region, including the Blue Plains Wastewater Treatment Plant where services are provided in conjunction with Washington, DC.

In addition to water and sewer charges, Article 29 of the Annotated Code authorizes several charges and fees relating to services, including a system development charge tied to new development. To meet infrastructure demands, the commission is authorized to issue long-term debt (debt extending beyond five years) in an amount not exceeding 7 percent of the assessable base of property assessed for county taxation purposes in Montgomery and Prince George's counties as of July 1, 1997. For fiscal 2006, approximately 36 cents for every dollar paid to the sanitary commission in water and sewer bills is spent for purposes of debt service. The commission is also authorized to issue revenue bonds to finance or refinance all or part of the costs associated with the development and operation of technological projects that are related to the commission's expertise in running water and wastewater systems. These bonds are not considered to constitute a pledge of the full faith and credit of the sanitary commission or any other taxing power and are tax-exempt at the local and State levels.

Chapter 5. Interrelationship Between the Maryland General Assembly and Local Government

As the State's legislature, the Maryland General Assembly inherently possesses full power to legislate for the entire State and for its political subdivisions, subject only to limitations imposed by the U.S. Constitution and the Maryland Constitution. By contrast, the State's counties and municipal corporations only possess authority to legislate in those areas authorized by the Maryland Constitution and the Maryland General Assembly. Furthermore, the authority of counties and municipal corporations is often limited by the decisions of the General Assembly to preempt entirely certain subject areas of statewide concern.

The General Assembly has a long history of passing legislation applicable to individual political subdivisions or exempting individual political subdivisions from legislation that otherwise applies throughout the State. Of the 2,856 bills introduced during the 2006 legislative session, approximately 12 percent dealt with one or two counties, not including State bond bills introduced to finance projects in individual counties. This illustrates that a significant volume of the General Assembly's work still involves local matters despite most local governments having home rule powers. Accordingly, questions frequently arise regarding the authority of the General Assembly to pass local legislation, and the answer may vary depending on the constitutional provisions governing the affected political subdivision. Conversely, on the local government level, questions frequently arise regarding the authority to legislate in a given subject area; again, the answer may vary based on the form of local government or the actions taken at the State level in the affected subject area.

This chapter attempts to answer some of the questions that arise regarding the interaction of Maryland's State and local governments. First, this chapter discusses the distinction between public general laws and public local laws and explains the manner in which the General Assembly traditionally handles local legislation. The chapter then proceeds to address the authority of the General Assembly to adopt local legislation affecting the powers of counties and municipal corporations. Finally, State preemption, conflicts between State and local law, and conflicts between county and municipal law are discussed.

Public General Laws and Public Local Laws

In reviewing the authority of the General Assembly to pass local legislation, the distinction between public general laws and public local laws is crucial. This distinction is clouded by the fact that a bill interpreted as a local law for some purposes may be

interpreted as a public general law for other purposes. As explained by the Court of Appeals, “a law is not necessarily a local law merely because its operation is confined to ... a single county, if it affects the interests of the people of the whole State.” (*Gaither v. Jackson*, 147 Md. 655, 667 (1925)).

The General Assembly has the authority to pass legislation that applies statewide. The authority to pass legislation affecting single or multiple political subdivisions varies based on the form of local government and relevant constitutional provisions, a concept addressed below in detail. Legislation applicable to a single political subdivision generally is referred to as a public local law. By contrast, legislation applicable to two or more political subdivisions or applicable throughout the State is referred to as a public general law. Public local laws are usually codified in the Code of Public Local Laws of the applicable political subdivision but may alternatively be codified in the Annotated Code of Maryland. A public local law might also be uncoded, in which case it would appear only in the session laws that are published following the completion of each legislative session. Regardless of the form of local government, the General Assembly may pass legislation affecting individual political subdivisions in subject areas that have been preempted by the State.

One important distinction between public general laws and public local laws relates to the ability of the General Assembly to condition legislation on approval by the voters. The General Assembly may not submit a public general law to a referendum of the voters, as this action would be an unconstitutional delegation of its legislative authority. The enactment of a public local law, however, may be made contingent on the approval of the voters in the area or political subdivision affected by the legislation.

Local Bill Process in the General Assembly

Local Courtesy

Legislation pertaining to a single political subdivision or a limited number of political subdivisions is usually afforded “local courtesy.” If the legislation has the support of the citizens of a particular political subdivision, as expressed by the legislators elected to represent that political subdivision, then the members of the General Assembly representing other areas of the State, as a courtesy, usually will acquiesce to the wishes of the legislators of the affected political subdivision. Exceptions occasionally occur when other legislators believe that an ostensibly local bill has statewide implications. The concept of local courtesy is historically based on an expectation that members of the legislative delegation of a county or Baltimore City are the best judges of issues relevant solely to their own political subdivision.

Local Delegations and Select Committees

After the 2000 census, each legislative district of the State, represented by one senator and three delegates, includes approximately 113,000 citizens. Fifteen of the 47 legislative districts are divided into 2- or 3-member subdistricts where each delegate represents either one-third or two-thirds of the district's population. In the heavily populated, metropolitan areas of the State, a member of the Senate or the House of Delegates represents a small region of a county or Baltimore City. In the rural areas, such as Maryland's Eastern Shore, a senator or delegate may represent citizens of three or four counties. In either scenario, local courtesy provides that if a majority of the members of the Senate or the House of Delegates representing a particular political subdivision support or oppose local legislation, the rest of the senators or delegates generally will acquiesce in that decision.

The House of Delegates is organized into local county delegations for the purpose of considering local legislation. The rural counties also meet as regional delegations. Although the *Rules of the Maryland House of Delegates* allows for a delegation to act as a "select committee" for consideration of local legislation, in practice local bills approved by the appropriate delegation are referred to a House standing committee. The standing committee generally defers to the position taken by the local delegation. In the Senate, select committees consisting of single counties or groups of sparsely populated counties consider local legislation. For some counties the members of the Senate and the House of Delegates meet together for consideration of local legislation. For most counties, local legislation is introduced in the House of Delegates. If the legislation passes in the House, it then is considered by the Senate.

Procedures for consideration vary significantly among delegations. While procedures in many of the rural delegations are very informal, several of the more urban delegations have established elaborate procedures for consideration of local legislation. The Howard County, Montgomery County, and Prince George's County delegations have adopted the most complex procedures for their respective delegations. Each of these counties has published deadlines for its members to submit proposed local legislation for consideration several months before each legislative session of the General Assembly. County administration proposals generally are submitted by the delegation chair on behalf of the county administration. These bills are drafted by the Office of Policy Analysis in the Department of Legislative Services and are assigned unique local bill numbers. Copies of the draft bills (which have not been actually introduced in the General Assembly at this stage) are distributed at public hearings conducted in the respective counties weeks before the start of the legislative session.

Following local public hearings or early in the legislative session, a delegation or a committee of a delegation will consider each appropriate local bill and may extensively amend a bill before it is formally introduced in the General Assembly. If the bill receives approval of the full delegation, it will be introduced under the sponsorship of the delegation. A delegation sometimes will not complete its work before the House of Delegates bill introduction deadline, at which time the bills may be introduced before delegation approval in order to meet the deadline. A standing committee will delay formal action on a bill until it receives written notice of the appropriate delegation's approval of the bill. The General Assembly considers numerous bills each session that affect the Maryland-National Capital Park and Planning Commission and the Washington Suburban Sanitary Commission, entities that operate under State law in Montgomery and Prince George's counties. The local process for these bills is further complicated because these bills must be considered and approved by both county delegations before a standing committee of the House will take action.

An issue that occasionally results in controversy in local delegations is the weight given to the vote of a legislator whose district crosses county lines and who therefore represents fewer citizens in the respective county than legislators whose districts are entirely within the county. The *Rules of the Maryland House of Delegates* establish that each delegate who represents any portion of a county or Baltimore City is entitled to one vote unless "[a]fter an opportunity for all delegates to be heard, a majority of delegation members ... voting ... elect to allocate nonresident delegates less than one full vote." The vote of a delegate whose district is not entirely within the county may not be less than one-third of a full vote.

One might expect that the adoption of home rule would reduce the number of local bills a delegation might need to consider in the General Assembly. In fact, because the majority of charter counties are found in the more heavily populated regions of the State and provide more in terms of governmental services, these counties tend to have a significant number of local bills before the General Assembly each session. Only when evaluated on a per capita basis is the effect of home rule demonstrated in terms of reducing the work load of the General Assembly.

Commission Counties

Eight of Maryland's counties operate under the traditional form of government – commission government: Calvert, Carroll, Cecil, Frederick, Garrett, St. Mary's, Somerset, and Washington.

Article VII, Section 2 of the Maryland Constitution provides in part that the "powers and duties of the County Commissioners ... shall be such as now are or may be

hereafter prescribed by law.” Commission counties gradually have been granted a significant amount of local authority and discretion in addressing local affairs, authority sometimes referred to as “statutory home rule.” Nevertheless, the powers granted commission counties are significantly more limited than the powers available to those counties that have adopted either charter or code home rule under the Maryland Constitution. Outside of those areas where all counties have been granted local authority, however, there is little uniformity in the powers of each commission county. This inconsistency is due in part to variations in industry and geography and the long tradition of local courtesy in the General Assembly.

A review of legislation considered by the General Assembly during the 2003-2006 legislative sessions pertaining to individual commission counties illustrates the legislature’s involvement in local matters that would not have been considered for home rule counties. Examples of these issues include the salaries and benefits of county officers and employees, county procurement matters, local consumer affairs, local licensing and registration, animal control, the composition of county agencies, zoning, and local regulation of farming, the seafood industry, and nuisances. The important point to remember is that the General Assembly is not in any way limited under the Maryland Constitution in passing legislation applicable to single commission counties.

Charter Home Rule Counties

Nine of Maryland’s counties have adopted charter home rule under Article XI-A of the Constitution of Maryland: Anne Arundel, Baltimore, Dorchester, Harford, Howard, Montgomery, Prince George’s, Talbot, and Wicomico.

As explained in Chapter 2, Article XI-A, Section 2 of the Maryland Constitution requires the General Assembly to provide by public general law a grant of express powers for those counties that elect to adopt charter home rule. The General Assembly has fulfilled this mandate by passing Article 25A, Sections 4 and 5 of the Annotated Code of Maryland (the “Express Powers Act”). By giving charter counties authority to legislate in a given area under the express powers, the General Assembly delegates its authority to legislate in that area for an individual charter county to the county council, or county council and County Executive, of that county.

Consistent with the concept of home rule, Article XI-A, Section 4 of the constitution prohibits the General Assembly from enacting a public local law for a charter county “on any subject covered by the express powers granted.” A bill applicable to two or more counties or a county and Baltimore City, however, is not a local bill for purposes of this restriction. The General Assembly may adopt such legislation notwithstanding

any inconsistency with local legislation enacted by a county under the express powers granted to charter counties, in which case, under Article XI-A, Section 3, the public general law would control.

The General Assembly also retains authority to adopt local laws applicable to individual charter counties on matters not addressed by the Express Powers Act. For example, because the Express Powers Act does not grant charter counties general authority to impose a tax, other than the property tax, the General Assembly may pass legislation authorizing a single charter county to impose a tax which, absent such authority, the county would be unable to impose. Other subject areas not delegated to charter counties under the Express Powers Act include the regulation of alcoholic beverages, control over offices established in each county under the Maryland Constitution, such as the offices of sheriff and State's Attorney, and other matters such as public education where the State has preempted local regulation.

Baltimore City

The City of Baltimore is a unique public corporation under the Maryland Constitution, based on its historical role in the development of the State. Except as otherwise provided in the Maryland Constitution and the Annotated Code of Maryland, the General Assembly has almost the same authority over Baltimore City as it does over a charter county.

Because the express powers granted to Baltimore City by the General Assembly are codified in Article II of the Baltimore City Charter, and the express powers under Article 25A, Section 5 of the Annotated Code for charter counties do not apply to Baltimore City, the General Assembly is not restrained in modifying the grant of powers affecting Baltimore City alone. Thus, some argue that the General Assembly retains greater authority in legislating for Baltimore City than in legislating for individual charter home rule counties. Otherwise, the powers granted by the General Assembly under Article II of the Baltimore City Charter are very similar to the express powers that the General Assembly has granted charter counties under Article 25A of the Annotated Code.

Although there are a number of provisions in the Maryland Constitution unique to Baltimore City, one significant difference between charter home rule counties and Baltimore City relates to Baltimore City's authority to issue debt. Under Article XI, Section 7 of the Maryland Constitution, Baltimore City may not generally incur long-term debt unless first authorized by an ordinance of the mayor and city council and then approved by the voters of Baltimore City. The ordinance may not be placed on the ballot unless the proposed creation of debt is either presented to and approved by the majority of members of the General Assembly representing Baltimore City no later than

the thirtieth day of the regular legislative session preceding the ballot or authorized by an act of the General Assembly. In practice, the Baltimore City Administration circulates a packet of proposed projects to the Senators and Delegates representing Baltimore City with accompanying resolutions for their signatures. The final package is then filed with the clerk of the House of Delegates for printing in the House Journal.

Code Home Rule Counties

Six of Maryland's counties have adopted code home rule under Article XI-F of the Maryland Constitution: Allegany, Caroline, Charles, Kent, Queen Anne's, and Worcester.

A code county has significant autonomy in its ability to address local issues. As addressed in Chapter 2, the exact scope of a code county's authority has been subject to debate, primarily due to the definition of a "public local law" under provisions of the Maryland Constitution governing code home rule. Article XI-F, Section 1 of the constitution defines "public local law" in part as "a law applicable to the incorporation, organization, or government of a code county and *contained* in the county's code of public local laws" (emphasis added). When the definition of public local law is read literally, the authority of the county commissioners to enact local legislation would appear to turn on the codification of the law. The constitution, however, also limits the authority of the General Assembly to legislate for counties that have adopted code home rule. Article XI-F, Section 4 provides:

[e]xcept as otherwise provided in this Article, the General Assembly shall not enact, amend, or repeal a public local law which is special or local in its terms or effect within a code county. The General Assembly may enact, amend, or repeal public local laws applicable to code counties only by general enactments which in term and effect apply alike to all code counties in one or more of the classes provided for in [Article XI-F, Section 5].

Article XI-F, Section 5 authorizes the General Assembly to classify code counties by grouping them into not more than four classes, based either on population or on other criteria that the General Assembly determines appropriate.

Although there are no appellate court cases that have examined Article XI-F, it has been subject to an in-depth analysis by the Office of the Attorney General. In interpreting the authority of the General Assembly to legislate for code counties, the

Attorney General concluded in part that, subject to stated exceptions, Article XI-F, Section 4 “*implicitly prohibits* the General Assembly from [enacting, amending, or repealing special or local laws in code counties] by not codifying an enactment in the code of public local laws ... [or] by making an enactment applicable to two but less than all of the code counties in a given class.” (62 Op. Att’y Gen. 275, 307 (1977) (*emphasis in original*)).

From 1966, when Article XI-F was ratified, until October 1997, there was a single class of code counties. In 1997 (Chapter 666), the General Assembly divided the State into four regions for purposes of code home rule: Central Maryland, Eastern Shore, Southern Maryland, and Western Maryland. Currently, four of the six code counties (Caroline, Kent, Queen Anne’s, and Worcester) are in the Eastern Shore class, while Allegany County is the only code county in the Western Maryland class and Charles County is the only code county in the Southern Maryland class. Thus, for example, the General Assembly may adopt legislation for just Allegany County by making the act applicable only to the Western Maryland class of code counties, provided no other counties in that region adopt code home rule.

Notwithstanding the general restriction on the ability of the General Assembly to adopt legislation affecting individual code counties, Article XI-F, Section 8 grants the General Assembly exclusive authority to pass a local law that sets a maximum property tax rate for a particular code county or that caps the maximum amount of indebtedness that a particular code county may incur. The General Assembly, however, has not chosen to exercise as yet its authority under this provision for any county that has adopted code home rule.

Municipal Corporations

Since the adoption of the municipal home rule amendment to the Maryland Constitution in 1954, the role of the General Assembly in municipal affairs has diminished significantly. Before 1954, the General Assembly was authorized to grant, amend, and repeal individual charters for municipal corporations. Under Article XI-E of the constitution, each municipal corporation possesses home rule. The municipal home rule amendment is discussed in Chapter 3. Article XI-E, Section 1 precludes the General Assembly from passing a law “relating to the incorporation, organization, government, or affairs ... of ... municipal corporations ... which will be special or local in its terms or in its effect.” The General Assembly may only pass such legislation by a general law that applies to all municipal corporations in a given class.

The constitution requires the General Assembly to classify municipal corporations into not more than four classes based on population. To date, the General Assembly has

complied with this mandate in a very different way than it has done for the code counties. Specifically, Article 23A, Section 10 of the code declares simply that all municipal corporations constitute a single class.

Notwithstanding the general restriction on the General Assembly legislating for individual municipal corporations, the Maryland Constitution does provide for certain exceptions. Article XI-E, Section 5 authorizes the General Assembly to pass local legislation limiting the property tax rate that a municipal corporation might impose or the amount of indebtedness that the municipal corporation may incur. Such an act would be subject to the approval of the voters of the municipal corporation. This authority, however, is not an exclusive power of the General Assembly. A municipal corporation could take similar action through an amendment to its charter and only if the General Assembly imposed a more restrictive provision would the act of the General Assembly preempt the action of the municipal corporation. To date, the General Assembly has not exercised its authority under this provision for any municipal corporation.

Another exception is found under Article III, Section 61 of the Maryland Constitution. Notwithstanding the general condemnation power under Article 23A, Section 2(b)(24) of the Annotated Code, a municipal corporation must receive express authority from the General Assembly in order to exercise urban renewal powers for slum clearance. This power is authorized under Article III, Section 61, the Urban Renewal Amendment, and is applicable to municipal corporations as well as counties. Interestingly, this constitutional provision states that the General Assembly's authority to enact local laws regarding local urban renewal projects for slum clearance prevails over the restrictions under Article XI-E of the constitution. Accordingly, the General Assembly may legislate for one municipal corporation, or any number that is less than all municipal corporations, in this subject area unlike most other subject areas in which the General Assembly must make municipal legislation applicable to all municipal corporations. From 1960, the year Article III, Section 61 was ratified, through the 2006 session, the General Assembly has granted authority under the Urban Renewal Amendment to 66 municipal corporations. This authority is codified as an appendix to each of the municipal charters found in the *Public Local Laws of Maryland – Compilation of Municipal Charters*. Once granted the urban renewal powers for slum clearance under the constitution, a municipal corporation may exercise condemnation powers for individual blighted properties under Article 23A, Section 2(b)(37) of the Annotated Code.

Special Taxing Districts and Regional Agencies

As explained in Chapter 4, special taxing districts created by the General Assembly operate similarly to municipal corporations. They provide a range of public

services or provide an individual service in a specific region, which may be an area that extends beyond a single county. Unlike home rule counties or municipal corporations, the Maryland Constitution does not restrict the General Assembly from modifying the law governing these districts, nor does the constitution restrict the General Assembly from modifying the law governing regional agencies such as the Maryland-National Capital Park and Planning Commission and the Washington Suburban Sanitary Commission.

Other multi-purpose or single-purpose special taxing districts have been established by local governments under various enabling authority granted by the General Assembly. For example, charter counties generally are authorized to “establish, modify, amend and abolish special taxing areas for any of the purposes enumerated in [Article 25A of the Annotated Code of Maryland].” Although the General Assembly may amend the law authorizing the creation of these districts, the General Assembly generally does not pass legislation affecting the districts themselves. There are possible exceptions, however, in cases where a special taxing district created by a local government seeks authority over a matter that the local government is not authorized to address.

There is an important limitation protecting special taxing districts that were established by the General Assembly to provide municipal services in a charter or code county and that are governed or administered by a citizens’ committee or a commission elected or appointed independently of the county governing body. Unless the special taxing district was established solely for fire protection or library service, the district is beyond the reach of the respective county’s authority. Any change in the authority or existence of a special taxing district would generally be within the exclusive domain of the General Assembly. In a code county, however, action by both the General Assembly and county commissioners could conceivably be required to affect a district established by public local law before the adoption of code home rule.

Conflict of Laws/State Preemption

Conflict between laws is inevitable as different levels of government seek to shape policy through legislation. The Constitution of Maryland, State statutes, and case law provide guidance when conflicts occur. This section addresses constitutional and statutory provisions governing conflicts of law, the concurrent powers doctrine, the issue of State preemption, and the relationship between county and municipal law.

Constitutional/Statutory Provisions

Under the home rule provisions of the Maryland Constitution, when a conflict results between a public general law passed by the General Assembly and a local law

passed by a charter or code county, the public general law controls. In contrast, under Article 1, Section 13 of the Annotated Code of Maryland, a conflict between a public general law and a public local law *passed by the General Assembly* is resolved in favor of the public local law.

In some cases, the State and local government will have concurrent powers in a given area, and the courts will attempt to reconcile the State and local law. In other areas, the State may preempt local authority in matters of State concern.

Concurrent Powers Doctrine

The powers of the State and a local government to legislate in the same field are called concurrent powers. When both governments pass laws in the same field, however, an issue arises as to what extent the State has restricted local government's role by State involvement in that field. Under the concurrent powers doctrine, unless a public general law contains an express denial of the right to act by local authorities, the State's regulation of certain activity in a field does not mean that a local government cannot enact laws in that field.

For example, the Court of Appeals upheld Baltimore City's minimum wage law that required higher rates than the State minimum wage law. (*City of Baltimore v. Sitnick & Firey*, 254 Md. 303 (1969)). Even though the State had regulated minimum wages, Baltimore City's law was still valid because the State had not expressly prohibited local legislation on minimum wages. Rather than conflict with State regulation, the Baltimore City law was viewed as supplemental regulation. This doctrine, however, is not absolute. As the court recognized, "there may be times when the legislature may so forcibly express its intent to occupy a specific field of regulation that the acceptance of the doctrine of preemption by occupation is compelled."

State Preemption

The State may preempt a local law in the following three ways: (1) express preemption; (2) implied preemption; and (3) preemption by conflict.

Express Preemption

Express preemption is based on the authority of the General Assembly to reserve for itself "exclusive dominion over an entire field of legislative concern." (*Ad & Soil, Inc. v County Comm'rs*, 307 Md. 307, 324 (1986)). Express preemption is not difficult to discern because the language generally is unambiguous. An example of express

preemption was recognized by the Court of Appeals in invalidating a Montgomery County ordinance regulating the sale of ammunition. (*Montgomery County v. Atlantic Guns, Inc.*, 302 Md. 540 (1985)). The court ruled that the State had expressly preempted this area. Other fields that have been preempted expressly by State law include the regulation of horse racing; the certification of insurers; certain aspects of condominium regimes, cooperative housing corporations, and homeowners' associations; and with certain enumerated exceptions, vehicle laws.

Implied Preemption

Implied preemption is more difficult to define because its meaning is ascertained on a case-by-case basis. In determining whether the General Assembly has impliedly preempted a field, the courts primarily consider the comprehensiveness with which the General Assembly has legislated in the field. The courts also consider a variety of secondary factors, including:

- whether local laws existed before the enactment of the State laws governing the same subject matter;
- whether the State laws provide for pervasive administrative regulation;
- whether the local law regulates an area in which some local control has traditionally been allowed;
- whether the State law expressly provides concurrent legislative authority to local jurisdictions or requires compliance with local law;
- whether a State agency responsible for administering and enforcing the State law has recognized local authority to act in the field;
- whether the particular aspect of the field sought to be regulated by the local government has been addressed by the State legislation; and
- whether a two-tiered regulatory process, if local laws were not preempted, would engender chaos and confusion.

Examples of areas where the Court of Appeals has found that the General Assembly has implicitly preempted local regulation include campaign finance regulation, education, and the regulation of cigarette vending machines.

Preemption by Conflict

Preemption by conflict generally occurs when a local ordinance prohibits an activity that is allowed by State law or allows an activity that is prohibited by State law. The courts occasionally are called on to determine whether a “conflict” exists, assuming appropriate local authority exists. As early as 1909, the Court of Appeals addressed the relationship between State law and local ordinances. A local ordinance, “must not directly or indirectly contravene the general law. Hence, ordinances which assume directly or indirectly to permit acts or occupation which [public general laws] prohibit, or to prohibit acts permitted by [the public general laws] or constitution, are under the familiar rule for validity of ordinances uniformly declared to be null and void.” However, “[a]dditional regulation by the ordinances does not render it void.” (*Rossberg v. State*, 111 Md. 394, 416-417 (1909)).

Whenever reasonably possible, the courts will try to construe legislation so that a conflict is avoided. However, sometimes conflicts occur. An example of a case where the Court of Appeals has found a local ordinance in conflict with State public general law is *County Council v. Investors Funding*, 270 Md. 403 (1973), in which Montgomery County sought to regulate retaliatory evictions. The court found that the local ordinance conflicted with the State’s summary eviction statute and therefore was invalid.

Conflict between County and Municipal Law

Although less significant in terms of the legislative process in the General Assembly, questions occasionally arise concerning the effect of county law within municipal corporations. In 1981, confusion resulted from a Court of Appeals decision that held that a county law superceded the law of a municipal corporation if the two provisions were in conflict. (*Town of Forest Heights v. Frank*, 291 Md. 331(1981)). Most municipal corporations, particularly the larger ones, had presumed a substantial degree of autonomy in relation to county government. Following a compromise by county and municipal interests, the General Assembly passed legislation defining the types of county legislation applicable to a municipal corporation within the county.

As long as the county legislation is within the scope of authority granted to the county, certain categories of county legislation generally apply within the boundaries of a municipal corporation in that county. First, county legislation applies within a municipal

corporation if provided by a law passed by the General Assembly. Second, subject to the Tax-General Article, Tax-Property Article, and Article 24 of the Annotated Code, the area within a municipal corporation is subject to county revenue or tax legislation, and legislation adopting the county budget. Finally, county legislation that becomes effective immediately on the affirmative vote of at least two-thirds of the county governing body applies to the area within a municipal corporation. The vote must follow a specific finding, after a public hearing, that there would be a significant adverse impact on the public health, safety, or welfare affecting residents in unincorporated areas of the county if the county legislation does not apply in all municipal corporations in the county. Additionally, county legislation enacted under this third category is subject to specific procedural requirements, including a right of judicial review.

Chapter 6. Local Government Expenditures

County and municipal governments in Maryland spend approximately \$20 billion annually on public services. Counties are the primary unit of local government responsible for most basic services such as police, fire, local corrections, sanitation, local highways, health, and parks and recreation. Counties also are responsible for funding public schools, libraries, local community colleges, and the circuit courts. In fiscal 2004, expenditures at the county government level totaled \$18.8 billion, which accounted for 95.6 percent of total local government expenditures.

Compared to counties, municipal corporations in Maryland provide a more limited array of public services. Public works and public safety are the two largest functions of municipal governments, comprising 63 percent of municipal expenditures in fiscal 2004. In addition, municipal corporations do not fund local school systems and community colleges, which account for over 50 percent of local government expenditures. In fiscal 2004, expenditures at the municipal government level totaled \$0.9 billion, which accounted for only 4.4 percent of total local government expenditures. However, in five counties, municipal governments account for over 15 percent of local government expenditures.

This chapter presents summary information on county and municipal expenditures and the extent to which these expenditures have changed in the past 10 years. Exhibit 6.1 shows the amount of local expenditures in fiscal 2004 by level of government. Exhibit 6.2 shows the level of local government expenditures for each county.

Exhibit 6.1 Local Government Expenditures (\$ in Millions)

	<u>FY 2004 Expenditures</u>	<u>Percent of Total</u>
County Level	\$18,794.6	95.6%
Municipal Level	860.6	4.4%
Total	\$19,655.2	100.0%

Source: Department of Legislative Services

Exhibit 6.2
Local Government Expenditures by County
Fiscal 2004
(\$ in Millions)

County	County	Municipal	Total	Percent Municipal
Allegany	\$202.6	\$13.4	\$216.0	6.2%
Anne Arundel	1,477.3	56.5	1,533.8	3.7
Baltimore City	2,810.9	0.0	2,810.9	0.0
Baltimore	2,209.6	0.0	2,209.6	0.0
Calvert	286.2	8.5	294.7	2.9
Caroline	84.0	11.1	95.1	11.7
Carroll	449.9	38.1	488.0	7.8
Cecil	231.1	20.2	251.2	8.0
Charles	469.8	13.5	483.3	2.8
Dorchester	95.1	18.1	113.1	16.0
Frederick	650.2	90.3	740.6	12.2
Garrett	101.5	5.8	107.2	5.4
Harford	675.3	37.7	712.9	5.3
Howard	1,035.0	0.0	1,035.0	0.0
Kent	57.2	6.5	63.7	10.1
Montgomery	3,995.6	154.0	4,149.6	3.7
Prince George's	2,683.2	103.5	2,786.7	3.7
Queen Anne's	149.4	1.4	150.8	0.9
St. Mary's	269.4	1.9	271.4	0.7
Somerset	64.1	4.6	68.7	6.7
Talbot	85.8	59.1	144.9	40.8
Washington	310.0	78.7	388.7	20.3
Wicomico	232.8	43.3	276.0	15.7
Worcester	168.7	94.5	263.2	35.9
Statewide	\$18,794.6	\$860.6	\$19,655.2	4.4%

Source: Department of Legislative Services

County Level

In fiscal 2004, county governments and Baltimore City spent \$18.8 billion on public services. Local boards of education accounted for almost one-half of county expenditures, with \$8.8 billion going to the public schools systems. County government agencies accounted for almost 42 percent of expenditures or \$7.4 billion. Libraries, community colleges, and local health departments accounted for the remaining 9 percent of local expenditures. Exhibit 6.3 shows the level of county expenditures by governmental unit in fiscal 2004.

Exhibit 6.3
County Level Expenditures
Fiscal 2004
(\$ in Millions)

<u>Governmental Unit</u>	<u>Amount</u>	<u>Percent of Total</u>
Public Schools	\$8,800.3	49.5%
Libraries	206.5	1.2
Community Colleges	765.4	4.3
Health Departments	568.5	3.2
County Government	7,425.0	41.8
Subtotal	\$17,765.7	100.0%
Debt Service	1,028.9	
Total	\$18,794.6	

Source: Department of Legislative Services

On a per capita basis, county expenditures averaged \$3,331 in fiscal 2004. Baltimore City led the State with per capita expenditures totaling \$4,520, followed by Montgomery County with per capita expenditures totaling \$4,194. Exhibit 6.4 shows county expenditures by category. Exhibits 6.5 and 6.6 show county expenditures on a per capita basis.

Exhibit 6.4
County Expenditures by Category
Fiscal 2004

County	General Government	Public Safety	Public Works	Health/ Social Serv.	Education/ Libraries	Parks and Recreation	Debt Service	Other
Allegany	3.5%	5.4%	10.6%	11.7%	60.4%	0.3%	3.4%	4.7%
Anne Arundel	6.9%	13.3%	12.4%	4.5%	55.3%	1.5%	4.6%	1.5%
Baltimore City	8.1%	15.6%	16.2%	7.7%	36.1%	1.6%	3.0%	11.6%
Baltimore	3.8%	12.3%	11.8%	2.8%	55.7%	1.3%	3.5%	8.8%
Calvert	4.8%	6.6%	8.8%	3.8%	64.0%	2.6%	3.1%	6.4%
Caroline	4.5%	8.4%	4.2%	6.2%	66.6%	1.2%	3.7%	5.1%
Carroll	7.9%	5.4%	7.7%	4.1%	63.9%	1.5%	5.5%	4.0%
Cecil	3.6%	8.2%	7.1%	5.0%	69.2%	0.1%	4.2%	2.7%
Charles	12.0%	11.7%	7.6%	4.1%	58.9%	1.4%	2.2%	2.0%
Dorchester	3.1%	11.4%	8.4%	6.9%	58.9%	0.6%	4.9%	5.8%
Frederick	4.7%	8.5%	7.9%	6.5%	63.4%	0.6%	4.4%	4.0%
Garrett	5.1%	4.8%	21.3%	5.3%	57.7%	0.1%	2.4%	3.1%
Harford	8.2%	7.8%	11.5%	4.9%	58.1%	1.5%	4.6%	3.6%
Howard	10.0%	9.6%	9.8%	3.3%	57.5%	2.5%	5.6%	1.8%
Kent	5.9%	9.3%	7.9%	12.6%	52.4%	4.1%	3.2%	4.7%
Montgomery	5.6%	9.3%	11.5%	5.1%	47.8%	4.3%	10.1%	6.2%
Prince George's	5.1%	10.0%	12.2%	3.0%	52.3%	4.4%	5.5%	7.5%
Queen Anne's	4.7%	8.4%	10.2%	6.7%	55.3%	5.5%	5.0%	4.2%
St. Mary's	6.5%	9.2%	10.3%	3.5%	60.6%	3.7%	4.3%	1.9%
Somerset	6.6%	7.1%	20.0%	8.5%	48.8%	2.4%	5.0%	1.6%
Talbot	8.7%	8.6%	7.2%	8.2%	58.5%	3.8%	0.9%	4.1%
Washington	4.6%	6.2%	9.1%	5.7%	67.2%	1.2%	4.9%	1.3%
Wicomico	2.7%	8.6%	5.5%	9.3%	63.4%	2.7%	4.7%	3.1%
Worcester	4.4%	7.3%	11.4%	9.0%	48.8%	1.3%	4.0%	13.7%
Statewide	6.2%	10.7%	11.8%	5.0%	52.0%	2.6%	5.5%	6.3%

Source: *Local Government Finances in Maryland Fiscal 2004*, Department of Legislative Services

Exhibit 6.5
Per Capita County Expenditures by Category
Fiscal 2004

County	General Government	Public Safety	Public Works	Health/ Social Serv.	Education/ Libraries	Parks and Recreation	Debt Service	Other	Total
Allegany	\$96	\$149	\$291	\$322	\$1,663	\$8	\$93	\$130	\$2,753
Anne Arundel	196	376	349	128	1,564	43	130	42	2,827
Baltimore City	364	704	734	349	1,633	72	138	525	4,520
Baltimore	108	346	330	78	1,563	36	98	248	2,806
Calvert	155	214	287	123	2,081	84	100	208	3,253
Caroline	123	228	114	167	1,800	31	100	138	2,700
Carroll	213	145	207	110	1,719	41	149	107	2,691
Cecil	87	196	171	121	1,660	2	101	64	2,400
Charles	406	396	260	141	2,002	49	76	67	3,397
Dorchester	97	354	262	216	1,837	19	152	180	3,117
Frederick	135	246	228	189	1,836	18	126	116	2,894
Garrett	174	165	727	180	1,965	4	83	107	3,406
Harford	234	222	328	139	1,661	42	130	104	2,859
Howard	370	358	363	122	2,133	91	209	66	3,713
Kent	169	268	229	363	1,513	119	93	136	2,889
Montgomery	233	391	484	216	2,005	181	424	260	4,194
Prince George's	158	311	378	93	1,621	136	171	232	3,101
Queen Anne's	156	277	335	221	1,825	182	164	138	3,298
St. Mary's	186	262	296	99	1,733	106	124	53	2,860
Somerset	162	175	492	208	1,199	59	122	38	2,455
Talbot	213	210	177	201	1,431	93	21	100	2,446
Washington	104	140	205	129	1,519	27	110	29	2,263
Wicomico	71	225	143	243	1,653	71	122	81	2,609
Worcester	146	240	375	295	1,606	42	132	451	3,288
Statewide	\$206	\$357	\$392	\$166	\$1,732	\$86	\$182	\$211	\$3,331

Source: *Local Government Finances in Maryland Fiscal 2004*, Department of Legislative Services

Exhibit 6.6
County Per Capita Rankings by Expenditure Categories
Fiscal 2004

<u>Education/Libraries</u>		<u>Public Works</u>		<u>Public Safety</u>		<u>Total Expenditures</u>	
1. Howard	\$2,133	1. Baltimore City	\$734	1. Baltimore City	\$704	1. Baltimore City	\$4,520
2. Calvert	2,081	2. Garrett	727	2. Charles	396	2. Montgomery	4,194
3. Montgomery	2,005	3. Somerset	492	3. Montgomery	391	3. Howard	3,713
4. Charles	2,002	4. Montgomery	484	4. Anne Arundel	376	4. Garrett	3,406
5. Garrett	1,965	5. Prince George's	378	5. Howard	358	5. Charles	3,397
6. Dorchester	1,837	6. Worcester	375	6. Dorchester	354	6. Queen Anne's	3,298
7. Frederick	1,836	7. Howard	363	7. Baltimore	346	7. Worcester	3,288
8. Queen Anne's	1,825	8. Anne Arundel	349	8. Prince George's	311	8. Calvert	3,253
9. Caroline	1,800	9. Queen Anne's	335	9. Queen Anne's	277	9. Dorchester	3,117
10. St. Mary's	1,733	10. Baltimore	330	10. Kent	268	10. Prince George's	3,101
11. Carroll	1,719	11. Harford	328	11. St. Mary's	262	11. Frederick	2,894
12. Allegany	1,663	12. St. Mary's	296	12. Frederick	246	12. Kent	2,889
13. Harford	1,661	13. Allegany	291	13. Worcester	240	13. St. Mary's	2,860
14. Cecil	1,660	14. Calvert	287	14. Caroline	228	14. Harford	2,859
15. Wicomico	1,653	15. Dorchester	262	15. Wicomico	225	15. Anne Arundel	2,827
16. Baltimore City	1,633	16. Charles	260	16. Harford	222	16. Baltimore	2,806
17. Prince George's	1,621	17. Kent	229	17. Calvert	214	17. Allegany	2,753
18. Worcester	1,606	18. Frederick	228	18. Talbot	210	18. Caroline	2,700
19. Anne Arundel	1,564	19. Carroll	207	19. Cecil	196	19. Carroll	2,691
20. Baltimore	1,563	20. Washington	205	20. Somerset	175	20. Wicomico	2,609
21. Washington	1,519	21. Talbot	177	21. Garrett	165	21. Somerset	2,455
22. Kent	1,513	22. Cecil	171	22. Allegany	149	22. Talbot	2,446
23. Talbot	1,431	23. Wicomico	143	23. Carroll	145	23. Cecil	2,400
24. Somerset	1,199	24. Caroline	114	24. Washington	140	24. Washington	2,263
Statewide	\$1,732	Statewide	\$392	Statewide	\$357	Statewide	\$3,331

Source: *Local Government Finances in Maryland Fiscal 2004*, Department of Legislative Services

Composition of County Expenditures

Educational services (public schools, libraries, and community colleges) continue to be the largest function of county governments, accounting for 52.0 percent of total county spending in fiscal 2004. Education spending ranged from 36.1 percent of total spending in Baltimore City to 69.2 percent in Cecil County. Every jurisdiction, except for Baltimore City and Montgomery, Somerset, and Worcester counties, devoted at least 50 percent of its expenditures to education purposes. The smaller percentage of spending targeted to education in Baltimore City was a result of the greater need for public safety and public works services. Baltimore City devoted a higher percentage of funds to public safety than any county, accounting for 15.6 percent of total spending. In addition, public works functions accounted for 16.2 percent of total spending in the city, the third highest in the State. Also, Baltimore City is not responsible for funding the local community college since the Baltimore City Community College is a State agency.

Public works was the second largest function of county governments, accounting for 11.8 percent of total spending in fiscal 2004. Garrett County, which spends a considerable amount of funds for snow removal, led the State in the percentage of expenditures targeted to public works (21.3 percent), followed by Somerset County (20.0 percent). Public safety was the third largest function of county governments, accounting for 10.7 percent of total spending. Baltimore City led the State in public safety spending, followed by Anne Arundel and Baltimore counties.

The composition of county expenditures has changed only slightly in the past 10 years. Funding for educational services is now accounting for a higher percentage of county spending, whereas public works functions and debt service are accounting for a lower percentage. There has been relatively no change in the overall funding for public safety, health and social services, parks and recreation, and general government. Exhibit 6.7 shows the change in the composition of county expenditures over a 10-year period.

Municipal Level

Municipal governments spent \$860.6 million in fiscal 2004. As shown in Exhibit 6.8, the two largest expenditures for municipal corporations were public works and public safety. Public works accounted for 42.7 percent of municipal spending. This percentage ranges from 26.1 percent for municipal corporations in Montgomery County to 76.6 percent for municipal corporations in Talbot County. Public safety services accounted for 20.2 percent of municipal spending, which includes funding for police, fire, medical rescue, and animal protection. Municipal expenditures for public safety ranged from a low of 1.7 percent for the municipal corporation in St. Mary's County to 40.3 percent for municipal corporations in Anne Arundel County. Exhibit 6.9 shows municipal expenditures by category for fiscal 2004 for each county.

Exhibit 6.7
County Expenditure Trends
Fiscal 1994-2004

<u>Category</u>	<u>FY 1994</u>	<u>FY 1999</u>	<u>FY 2004</u>
Education	49.8%	51.2%	52.0%
Public Works	14.2	12.6	11.8
Public Safety	10.7	10.7	10.7
Health/Social Services	5.2	4.9	5.0
General Government	6.1	6.2	6.2
Parks/Recreation	2.6	2.7	2.6
Other	4.7	5.8	6.3
Debt Service	6.8%	6.0%	5.5%

Source: Department of Legislative Services

Exhibit 6.8
Municipal Expenditures
Fiscal 2004
(\$ in Millions)

<u>Category</u>	<u>Amount</u>	<u>Percent of Total</u>
Public Works	\$367.1	42.7%
Public Safety	174.0	20.2
General Government	108.2	12.6
Parks and Recreation	85.8	10.0
Miscellaneous	77.7	9.0
Debt Service	48.0	5.6
Total	\$860.6	100.0%

Source: Department of Legislative Services

The composition of municipal expenditures has changed in the past 10 years as shown in Exhibit 6.10. Funding for public works and debt service accounts for a lower percentage of municipal spending, whereas public safety services account for a higher percentage. General government and parks and recreation services are also accounting for a larger portion of municipal expenditures.

Exhibit 6.9
Municipal Expenditures by Category
Fiscal 2004

County	General Government	Public Safety	Public Works	Parks and Recreation	Community Develop.	Economic Develop.	Debt Service	Other
Allegany	8.4%	8.0%	68.6%	3.3%	0.4%	0.5%	5.8%	4.9%
Anne Arundel	14.0%	40.3%	32.4%	7.7%	1.3%	0.0%	6.0%	-1.6%
Calvert	11.4%	8.7%	43.5%	13.1%	1.3%	1.1%	10.8%	10.1%
Caroline	14.8%	27.5%	37.8%	1.5%	3.9%	3.4%	9.4%	1.7%
Carroll	10.8%	14.8%	49.9%	5.6%	7.6%	0.1%	3.1%	8.2%
Cecil	11.4%	20.9%	57.9%	3.9%	0.0%	0.0%	5.4%	0.5%
Charles	23.5%	6.9%	46.0%	2.7%	0.0%	0.4%	16.7%	3.9%
Dorchester	15.9%	22.0%	43.7%	5.5%	0.7%	0.3%	4.9%	7.0%
Frederick	11.3%	21.6%	41.6%	13.2%	0.6%	2.5%	8.5%	0.7%
Garrett	16.8%	7.2%	60.1%	5.7%	0.0%	1.4%	5.6%	3.3%
Harford	17.8%	21.4%	42.0%	3.5%	0.5%	0.0%	6.3%	8.6%
Kent	16.2%	17.8%	55.8%	2.2%	1.8%	0.4%	5.0%	0.8%
Montgomery	19.2%	12.5%	26.1%	20.7%	2.3%	13.1%	2.9%	3.3%
Prince George's	17.8%	23.6%	29.5%	13.6%	3.3%	0.9%	5.5%	5.7%
Queen Anne's	24.2%	3.9%	66.6%	0.4%	0.2%	0.0%	3.4%	1.3%
St. Mary's	15.4%	1.7%	74.5%	3.0%	0.0%	1.2%	4.0%	0.2%
Somerset	11.5%	32.2%	32.3%	0.2%	4.8%	0.7%	11.4%	6.9%
Talbot	4.4%	10.2%	76.6%	1.1%	0.2%	1.1%	5.5%	0.9%
Washington	7.2%	20.9%	58.9%	4.0%	3.1%	1.2%	2.6%	2.0%
Wicomico	6.0%	26.7%	47.0%	5.5%	0.9%	0.0%	5.1%	8.9%
Worcester	5.5%	24.6%	42.3%	10.1%	0.3%	8.5%	7.8%	0.9%
Statewide	12.6%	20.2%	42.7%	10.0%	1.8%	3.9%	5.6%	3.3%

Source: *Local Government Finances in Maryland Fiscal 2004*, Department of Legislative Services

Exhibit 6.10
Municipal Expenditure Trends
Fiscal 1994-2004

<u>Category</u>	<u>FY 1994</u>	<u>FY 1999</u>	<u>FY 2004</u>
Public Works	45.4%	43.5%	42.7%
Public Safety	19.4	20.7	20.2
General Government	11.0	13.0	12.6
Parks and Recreation	8.1	8.7	10.0
Miscellaneous	8.6	7.0	9.0
Debt Service	7.5%	7.2%	5.6%

Source: Department of Legislative Services

Chapter 7. Local Government Revenues

County and municipal governments are responsible for delivering numerous public services that directly affect the quality of life of each Marylander. From providing children with quality public schools and health programs to protecting our streets and neighborhoods, local governments are at the forefront of the delivery of vital services. Local governments rely on three types of revenue sources to provide these necessary services: local-own source revenues such as local taxes and service charges; State aid; and federal grants. In fiscal 2004, local governments in Maryland collected \$20.5 billion in revenues. Counties and Baltimore City accounted for 95.7 percent of local revenues, while municipal corporations generated 4.3 percent of local revenues. Exhibit 7.1 shows the amount of local revenues in fiscal 2004 by level of government. Exhibit 7.2 shows the amount of local government revenues for each county.

This chapter will explore the various revenue sources for local governments and the degree to which localities rely on each of the sources to fund public services. This chapter also will discuss the differences between local own-source revenue and intergovernmental revenue. Finally, the chapter will provide information on the revenue trends over the last 10 years.

Exhibit 7.1 Local Government Revenues (\$ in Millions)

	<u>FY 2004 Revenues</u>	<u>Percent of Total</u>
County Level	\$19,619.0	95.7%
Municipal Level	887.2	4.3%
Total	\$20,506.2	100.0%

Source: Department of Legislative Services

County Level

County governments and Baltimore City collected \$19.6 billion in revenues in fiscal 2004. County governments receive revenues from two basic sources: own-source revenues, which include locally generated revenues such as property taxes and income taxes; and intergovernmental revenues, which include federal and State funding. Statewide, own-source revenues account for 65 percent of county revenues, and intergovernmental revenues account for 35 percent.

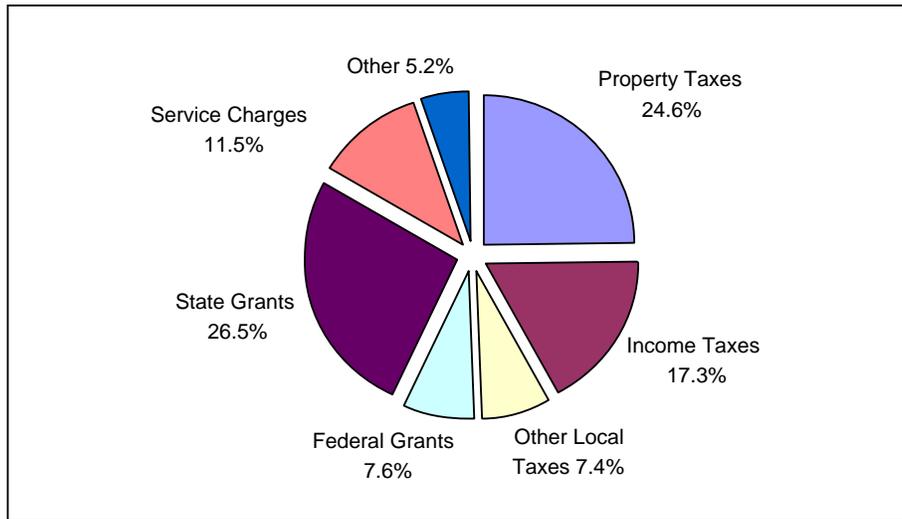
Exhibit 7.2
Local Government Revenues by County
Fiscal 2004
(\$ in Millions)

County	County	Municipal	Total	Percent Municipal
Allegany	\$215.6	\$14.4	\$230.0	6.3%
Anne Arundel	1,582.0	56.5	1,638.5	3.5
Baltimore City	2,749.6	0.0	2,749.6	0.0
Baltimore	2,350.9	0.0	2,350.9	0.0
Calvert	281.8	9.0	290.8	3.1
Caroline	85.5	11.5	97.1	11.9
Carroll	451.1	40.2	491.3	8.2
Cecil	235.9	25.2	261.0	9.6
Charles	503.7	16.0	519.6	3.1
Dorchester	99.2	18.7	117.9	15.8
Frederick	669.3	93.6	762.9	12.3
Garrett	103.5	5.3	108.8	4.9
Harford	696.9	35.6	732.4	4.9
Howard	999.6	0.0	999.6	0.0
Kent	58.3	7.9	66.1	11.9
Montgomery	4,199.3	155.6	4,354.9	3.6
Prince George's	2,953.0	100.3	3,053.3	3.3
Queen Anne's	164.1	1.2	165.3	0.7
St. Mary's	313.6	2.5	316.1	0.8
Somerset	63.7	4.2	67.9	6.2
Talbot	88.8	61.1	150.0	40.8
Washington	328.5	81.8	410.3	19.9
Wicomico	243.9	48.0	292.0	16.5
Worcester	181.4	98.6	280.0	35.2
Statewide	\$19,619.0	\$887.2	\$20,506.2	4.3%

Source: Department of Legislative Services

Exhibit 7.3 illustrates the sources of revenues for county governments and Baltimore City. Exhibit 7.4 provides a historical overview of county revenues for selected years. Exhibit 7.5 shows the sources of revenues for counties and Baltimore City for fiscal 2004.

Exhibit 7.3
Sources of Revenue – Counties and Baltimore City
Fiscal 2004



Source: Department of Legislative Services

Exhibit 7.4
Sources of Revenue – Counties and Baltimore City
Selected Fiscal Years
(\$ in Millions)

	<u>FY 1994</u>		<u>FY 2004</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Property Taxes	\$3,196.5	30.7%	\$4,507.4	24.6%
Income Taxes	1,679.3	16.1%	3,160.0	17.3%
Other Local Taxes	622.7	6.0%	1,351.1	7.4%
Service Charges	1,288.0	12.4%	2,101.4	11.5%
Other	519.5	5.0%	948.2	5.2%
State Aid	2,435.5	23.4%	4,858.2	26.5%
Federal Grants	662.5	6.4%	1,391.8	7.6%
Subtotal	\$10,404.0	100.0%	\$18,318.1	100.0%
Debt Proceeds	516.1		1,300.9	
Total	\$10,920.1		\$19,619.0	

Source: Department of Legislative Services

Exhibit 7.5
County Revenues by Source
Fiscal 2004

County	Property Taxes	Income Taxes	Other Taxes	Service Charges	Federal Grants	State Grants	Other
Allegany	13.1%	10.0%	1.5%	18.2%	12.0%	40.1%	5.1%
Anne Arundel	26.5%	20.0%	9.4%	12.2%	4.8%	22.3%	4.8%
Baltimore City	19.9%	6.8%	4.0%	12.9%	13.6%	37.5%	5.3%
Baltimore	26.7%	21.9%	6.5%	10.1%	7.5%	23.6%	3.7%
Calvert	26.0%	17.1%	4.5%	10.5%	5.0%	32.7%	4.2%
Caroline	17.0%	11.1%	3.6%	4.1%	9.6%	49.5%	5.1%
Carroll	27.4%	20.4%	4.9%	6.8%	6.3%	30.4%	3.9%
Cecil	25.7%	16.8%	3.4%	5.8%	8.1%	36.1%	4.0%
Charles	22.4%	16.8%	4.9%	9.9%	7.5%	33.4%	5.1%
Dorchester	19.7%	9.5%	5.1%	7.1%	10.8%	43.6%	4.3%
Frederick	25.1%	19.9%	5.7%	13.0%	4.8%	27.7%	3.8%
Garrett	24.3%	8.7%	7.4%	5.9%	9.6%	38.3%	5.7%
Harford	26.3%	20.4%	3.8%	8.7%	5.7%	28.2%	6.9%
Howard	31.5%	21.5%	8.0%	9.2%	3.2%	20.7%	6.0%
Kent	28.7%	13.6%	4.8%	4.2%	9.2%	32.2%	7.3%
Montgomery	26.3%	23.0%	10.0%	12.4%	6.0%	15.8%	6.5%
Prince George's	22.5%	13.5%	10.0%	13.4%	7.6%	28.3%	4.7%
Queen Anne's	27.0%	18.1%	5.4%	9.2%	7.6%	27.0%	5.7%
St. Mary's	20.3%	18.5%	6.8%	9.2%	6.6%	31.6%	7.1%
Somerset	15.0%	10.6%	1.3%	7.2%	14.1%	48.3%	3.3%
Talbot	23.9%	17.4%	13.6%	8.0%	9.3%	22.9%	4.9%
Washington	23.4%	16.4%	3.2%	8.4%	8.7%	34.7%	5.1%
Wicomico	20.9%	15.2%	2.8%	11.4%	9.8%	37.2%	2.7%
Worcester	34.9%	5.9%	18.3%	9.5%	7.4%	19.4%	4.5%
Statewide	24.6%	17.3%	7.4%	11.5%	7.6%	26.5%	5.2%

Source: *Local Government Finances in Maryland Fiscal 2004*, Department of Legislative Services

Local Own-source Revenues

Locally generated revenues, or own-source revenues, account for the majority of revenues in most counties. Local own-source revenues include property, income, and other local taxes, service charges, licenses and permit fees, fines and forfeitures, and miscellaneous revenue. Local own-source revenues for county governments totaled \$12.0 billion in fiscal 2004.

The reliance on local own-source revenues varies among jurisdictions, reflecting the differences in the revenue raising abilities of local governments. The two major sources of local own-source revenues for county governments are property and income taxes. Property tax revenue is driven by a jurisdiction's assessable base and property tax rates, and income tax revenue is driven by a jurisdiction's taxable income and local income tax rates. Jurisdictions with a lower assessable base and taxable income must impose a higher tax rate to yield an equivalent amount of revenue.

To compensate for the lower tax bases in certain jurisdictions, over 65 percent of State aid incorporates a local wealth measure to distribute State funding in which less affluent jurisdictions receive relatively more funding. Accordingly, many of the State's less affluent jurisdictions receive a lower percentage of their funding from local sources and a higher percentage from the State. For example, Somerset County, one of the least affluent counties in the State, receives 37.3 percent of its revenue from local sources and 48.3 percent from the State. In comparison, Montgomery County, one of the most affluent counties in the State, receives 77.9 percent of its revenue from local sources and 15.8 percent from the State.

The reliance on local own-source revenues (in percentage terms) has declined in recent years, especially for county governments. Statewide, local own-source revenues accounted for 69.1 percent of county revenues in fiscal 1994, but only 65.4 percent in fiscal 2004. For municipal governments, own-source revenues declined from 85.5 percent of municipal revenues in fiscal 1994 to 83.9 percent in fiscal 2004. This is partly attributable to the fact that in most jurisdictions, the increase in local own-source revenues has not kept pace with the increases in State aid. Over the last 10 years (fiscal 1994 through 2004), local own-source revenues for counties has increased at an average annual rate of 5.1 percent, well below the 7.1 percent rate of growth for State aid. Statewide, property tax revenues have increased at an average annual rate of 3.5 percent, while income tax revenues have increased at an average annual rate of 6.5 percent.

Property Taxes

The property tax is the primary local revenue source for county governments, accounting for 24.6 percent of total local revenues in fiscal 2004, excluding debt proceeds. The reliance on property tax revenues ranged from 13.1 percent in Allegany County to 34.9 percent in Worcester County. Property tax collections are affected by each county's property tax base and tax rate. Counties with a larger assessable base can collect relatively more tax revenues than jurisdictions with a smaller tax base. For example, Worcester County, with its ocean resort property, had the highest per capita assessable base in fiscal 2006 at \$240,482, which is 283 percent of the statewide average. Somerset County had the second lowest per capita assessable base at \$37,094, or

44 percent, of the statewide average. Due to its larger tax base, Worcester County is able to collect over three times more revenue per capita than neighboring Somerset County, even though Somerset County has a much higher property tax rate.

Income Taxes

The income tax is the third largest revenue source for county governments, accounting for 17.3 percent of total local revenues in fiscal 2004, excluding debt proceeds. The reliance on income tax revenues ranged from 5.9 percent in Worcester County to 23.0 percent in Montgomery County. Local income tax revenues are a function of a county's income tax rate and net taxable income. Per capita net taxable income in Maryland totaled \$18,417 in tax year 2004. Howard County had the largest per capita net taxable income at \$27,176, followed by Montgomery County at \$27,081. Somerset County had the lowest at \$7,145.

Other Local Taxes

Other local taxes include transfer taxes, recordation taxes, sales and service taxes, admissions and amusement taxes, mobile home/trailer park taxes, and other miscellaneous local taxes. From fiscal 1994 through 2004, these taxes remained relatively constant as a share of county revenues, accounting for 6 to 7 percent of county revenues; however, they are growing faster than any other revenue source. From fiscal 1994 to 2004, other local taxes increased at an average annual rate of 8.1 percent compared to 6.0 percent for total revenue.

Service Charges

County governments rely on service charges to offset the costs of providing public utilities and other infrastructure due to the continual growth throughout the State. As a share of county revenue, service charges have remained relatively stable, accounting for 12.4 percent of county revenue in fiscal 1994 and 11.5 percent in fiscal 2004. Sewer and water charges account for most of the service charges with community college tuition accounting for approximately 10 percent of the service charges. From fiscal 1994 to 2004, service charges have increased at an average annual rate of 5.0 percent

Other Revenue Sources

County governments receive other types of revenues, including license and permit fees, fines and forfeitures, interests, dividends, rents and concession proceeds. These sources make up 5.2 percent of county revenues. In fiscal 1994 through 2004, these revenue sources have increased at an average annual rate of 6.2 percent.

State Aid

State aid is the largest revenue source for most county governments in Maryland. However, in five counties (Anne Arundel, Baltimore, Queen Anne's, Talbot, and Worcester), State aid is the second largest revenue source after property taxes. In Howard and Montgomery counties, State aid is the third largest revenue source after both property and income taxes. The growth in State aid continues to exceed that of most other local revenue sources. In fiscal 1994 to 2004, State aid to county governments increased at an average annual rate of 7.1 percent compared to 5.1 percent for local own-source revenues.

State aid includes direct assistance to county governments, local school systems, libraries, community colleges, and local health departments. Local school systems receive about 77 percent of total State aid. County and municipal governments receive 17 percent, with most of the funds targeted for transportation, public safety, and park land acquisition and development. Community colleges, libraries, and local health departments account for the remaining 6 percent. Over 65 percent of State aid is distributed inversely to local wealth. Utilizing local wealth measures to distribute State aid attempts to offset the inequalities in the revenue capacity among local jurisdictions.

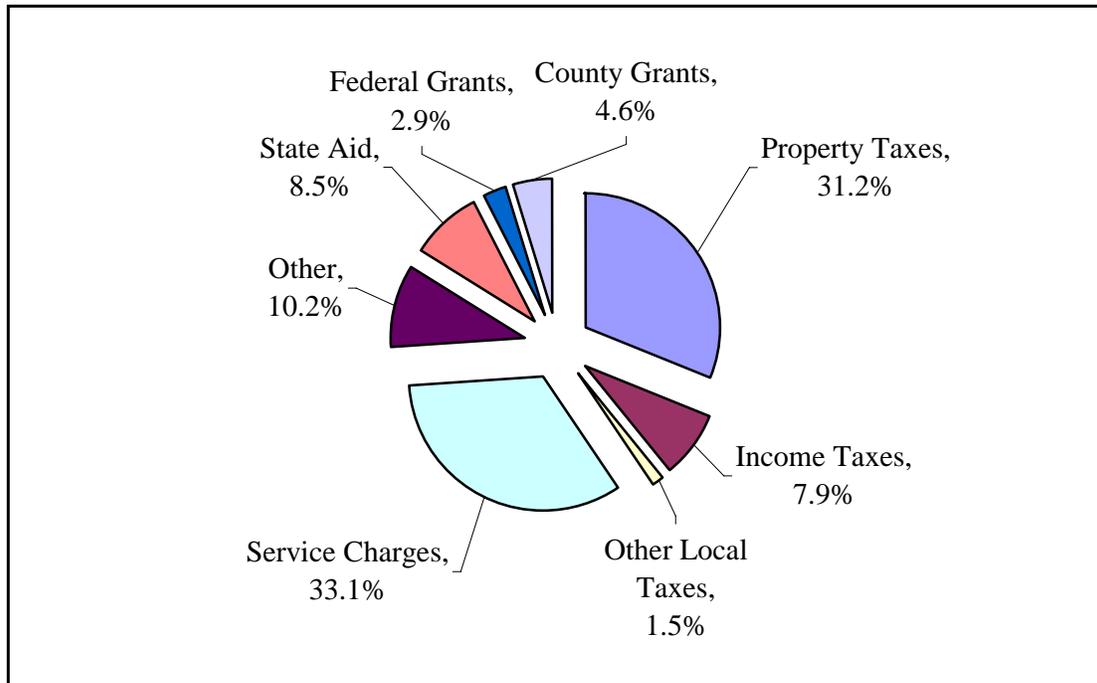
Federal Grants

Federal grants account for a small percentage of local government revenues, representing 7.6 percent of county revenues in fiscal 2004. The reliance on federal grants ranged from 3.2 percent in Howard County to 14.1 percent in Somerset County. The major areas in which local governments receive federal funds include primary and secondary education, community colleges, health and human services, housing and community development, public safety, and transportation.

Municipal Level

Municipal corporations in Maryland, excluding Baltimore City, collected \$887.2 million in revenues in fiscal 2004. Over the last 10 years, municipal revenues have increased at an average annual rate of 5.0 percent. Exhibit 7.6 illustrates the sources of revenues for municipal governments. Exhibit 7.7 provides a historical overview of municipal revenues for selected years. Exhibit 7.8 shows the sources of revenues for municipal corporations for fiscal 2004.

Exhibit 7.6
Sources of Revenue – Municipal Corporations
Fiscal 2004



Source: Department of Legislative Services

Exhibit 7.7
Sources of Revenue – Municipal Corporations
Selected Fiscal Years
(\$ in Millions)

	<u>FY 1994</u>		<u>FY 2004</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Property Taxes	\$185.0	35.2%	\$263.9	31.2%
Income Taxes	36.7	7.0%	66.5	7.9%
Other Local Taxes	10.1	1.9%	13.0	1.5%
Service Charges	170.5	32.4%	280.4	33.1%
Other	47.2	9.0%	86.3	10.2%
State Aid	39.4	7.5%	72.2	8.5%
Federal Grants	14.1	2.7%	24.8	2.9%
County Grants	23.0	4.4%	38.9	4.6%
Subtotal	\$525.9	100.0%	\$845.9	100.0%
Debt Proceeds	21.2		41.3	
Total	\$547.1		\$887.2	

Source: Department of Legislative Services

Exhibit 7.8
Municipal Revenues by Source
Fiscal 2004

County	Property Taxes	Income Taxes	Other Taxes	Service Charges	Federal Grants	State Grants	County Sources	Other
Allegany	19.0%	8.7%	0.4%	53.2%	5.9%	7.8%	1.2%	3.8%
Anne Arundel	35.9%	7.1%	2.0%	29.7%	2.8%	10.9%	4.1%	7.5%
Calvert	27.2%	5.9%	2.6%	30.9%	8.0%	7.1%	2.7%	15.5%
Caroline	28.4%	4.2%	0.4%	32.1%	9.4%	13.7%	0.2%	11.7%
Carroll	22.3%	9.0%	1.0%	35.1%	6.3%	12.5%	5.6%	8.3%
Cecil	29.5%	6.1%	1.5%	40.4%	0.3%	14.6%	1.8%	5.8%
Charles	16.7%	6.4%	0.0%	34.1%	0.9%	5.6%	1.0%	35.3%
Dorchester	25.5%	2.9%	0.7%	39.0%	0.1%	21.4%	4.8%	5.6%
Frederick	31.3%	7.2%	0.6%	28.4%	10.2%	8.8%	5.1%	8.4%
Garrett	21.7%	5.6%	0.6%	31.1%	0.0%	27.9%	1.6%	11.5%
Harford	39.2%	8.1%	0.6%	30.6%	1.2%	7.7%	4.5%	8.1%
Kent	22.9%	6.1%	1.2%	28.3%	0.2%	27.9%	5.7%	7.7%
Montgomery	35.7%	16.9%	1.5%	20.3%	1.4%	6.0%	6.3%	11.8%
Prince George's	52.5%	14.3%	1.9%	9.2%	1.0%	10.7%	2.1%	8.2%
Queen Anne's	30.1%	12.9%	0.0%	22.9%	0.0%	15.4%	7.3%	11.5%
St. Mary's	8.6%	8.1%	0.0%	49.1%	0.0%	16.8%	7.8%	9.7%
Somerset	30.6%	4.2%	0.7%	30.8%	1.4%	20.7%	0.3%	11.3%
Talbot	11.8%	2.4%	0.1%	68.1%	0.1%	2.1%	0.8%	14.7%
Washington	18.3%	3.2%	2.2%	52.7%	2.3%	5.4%	1.6%	14.3%
Wicomico	35.1%	3.9%	2.5%	34.7%	1.2%	8.4%	4.0%	10.2%
Worcester	30.4%	1.1%	3.0%	37.5%	2.9%	6.1%	11.7%	7.4%
Statewide	31.2%	7.9%	1.5%	33.1%	2.9%	8.5%	4.6%	10.2%

Source: *Local Government Finances in Maryland Fiscal 2004*, Department of Legislative Services

Property Taxes

Property taxes are the second largest revenue source for most municipal corporations, accounting for 31.2 percent of total revenues. The dependence on property taxes ranges from 8.6 percent for the municipal corporation in St. Mary's County to 52.5 percent for municipal corporations in Prince George's County. For municipal corporations in seven counties (Anne Arundel, Frederick, Harford, Montgomery, Prince George's, Queen Anne's, and Wicomico), the property tax generates a larger share of municipal revenue than service charges.

Income Taxes

Income taxes are the fourth largest revenue source for municipal corporations, accounting for 7.9 percent of total revenues in fiscal 2004. The reliance on income taxes ranges from 1.1 percent for municipal corporations in Worcester County to 16.9 percent for municipal corporations in Montgomery County. Municipal income taxes are calculated as 0.37 percent of Maryland taxable income or 17 percent of the county income tax liability for their residents, whichever is higher.

Service Charges

Service charges are the largest revenue source for most municipal corporations, accounting for 33.1 percent of total municipal revenues in fiscal 2004. Sewer and water charges accounted for the majority of the service charges. The remaining amount comprised general government, public safety, highways, and recreation charges. The reliance on service charges ranged from 9.2 percent for municipal corporations in Prince George's County to 68.1 percent for municipal corporations in Talbot County.

State Aid

Typically, State aid is the third largest revenue source for municipal corporations, although in fiscal 2004 other revenue (10.2 percent) exceeded State aid (8.5 percent). Other revenue exceeded State aid mainly because the Town of La Plata collected revenues exceeding \$3 million from the sale of land and developer contributions.

The reliance on State aid varies across the State, ranging from 2.1 percent of total revenues for municipal corporations in Talbot County to 27.9 percent for municipal corporations in Garrett and Kent counties, where State aid is the second largest revenue source for municipal corporations.

County Grants

County grants accounted for 4.6 percent of total municipal revenues in fiscal 2004. The percentage of county funding ranged from less than 1 percent in Caroline, Somerset, and Talbot counties to 11.7 percent in Worcester County. County funding results primarily from the sharing of county hotel/motel taxes and tax rebates. Tax rebates enable county governments to compensate municipal corporations for governmental services or programs that municipal corporations provide in lieu of similar county services or programs.

Chapter 8. Own-source Revenues

Local Taxing Authority

Article 14 of the Maryland Declaration of Rights provides “that no aid, charge, tax, or fees ought to be rated or levied, under any pretense, without the consent of the legislature.” Consistent with this provision, local taxing authority generally has been determined under legislation adopted by the General Assembly. Pursuant to State law, local taxes and fees, commonly referred to as own-source revenues, have emerged as the primary revenue source for local governments. In fiscal 2004, own-source revenues totaled \$12.7 billion, representing 65.4 percent of county revenues and 83.9 percent of municipal revenues.

A complete understanding of local taxing authority first requires an examination of local government structure. As previously discussed in Chapters 2 and 3, Maryland’s local governments operate under various forms of “home rule” government and maintain various degrees of autonomy from the General Assembly. While public general law is dominant over local law and ordinances, State authority to legislate for local governments is subject to restrictions and limitations, depending on the form of the local government.

In summary, counties and municipal corporations have been given extensive powers in the organization of their governments and the running of local governmental affairs. In the area of local taxation, however, the General Assembly’s control is substantial.

Own-source Revenue Trends

Local own-source revenues account for the majority of revenues in most counties. These revenues include property, income, and other local taxes such as recordation, transfer, and hotel/motel taxes. They also include service charges, license and permit fees, fines and forfeitures, and miscellaneous revenues. In fiscal 2004, local own-source revenues totaled \$12.0 billion for county governments and \$0.7 billion for municipal governments. The following exhibits (8.1 through 8.3) show several trends in own-source revenues for counties and municipal corporations. During the period from fiscal 1994 to 2004, county own-source revenues increased by 64.7 percent, from \$7.3 billion in fiscal 1994 to \$12.0 billion in fiscal 2004. Municipal own-source revenues increased by 58.0 percent, from \$449.5 million in fiscal 1994 to \$710.1 million in fiscal 2004.

Exhibit 8.1
Own-source Revenues – Counties and Baltimore City
Selected Fiscal Years
(\$ in Millions)

	<u>FY 1994</u>	<u>FY 2004</u>	<u>Percent Change</u>
Property Taxes	\$3,196.5	\$4,507.4	41.0%
Income Taxes	1,679.3	3,160.0	88.2%
Other Local Taxes	622.7	1,351.1	117.0%
Service Charges	1,288.0	2,101.4	63.2%
Licenses/Fees	97.3	200.5	106.0%
Other	392.9	667.0	69.8%
Total	\$7,276.7	\$11,987.3	64.7%

Source: Department of Legislative Services

Exhibit 8.2
Own-source Revenues – Municipal Corporations
Selected Fiscal Years
(\$ in Millions)

	<u>FY 1994</u>	<u>FY 2004</u>	<u>Percent Change</u>
Property Taxes	\$185.0	\$263.9	42.7%
Income Taxes	36.7	66.5	81.5%
Other Local Taxes	10.1	13.0	28.3%
Service Charges	170.5	280.4	64.4%
Licenses/Fines	16.5	31.4	89.5%
Other	30.6	54.9	79.3%
Total	\$449.5	\$710.1	58.0%

Source: Department of Legislative Services

Exhibit 8.3
Share of Own-source Revenues
Selected Fiscal Years
(% of Total)

	Counties and Baltimore City		Municipal Corporations	
	<u>FY 1994</u>	<u>FY 2004</u>	<u>FY 1994</u>	<u>FY 2004</u>
Property Taxes	43.9%	37.6%	41.2%	37.2%
Income Taxes	23.1%	26.4%	8.2%	9.4%
Other Local Taxes	8.6%	11.3%	2.2%	1.8%
Service Charges	17.7%	17.5%	37.9%	39.5%
Licenses/Fees	1.3%	1.7%	3.7%	4.4%
Other	5.4%	5.6%	6.8%	7.7%
Total	100.0%	100.0%	100.0%	100.0%

Source: Department of Legislative Services

Property Tax

The property tax is one of the three major revenue sources for county and municipal governments in Maryland. In fiscal 2004, local property tax collections totaled \$4.8 billion, representing 24.6 percent of county revenues and 31.2 percent of municipal revenues. In terms of local own-source revenues, the property tax remains the largest revenue source for county governments, accounting for 37.6 percent of county own-source revenues in fiscal 2004; and the second largest revenue source for municipal governments, accounting for 37.2 percent of municipal own-source revenues.

In recent years, the growth in property tax revenues began to lag behind other local revenues sources. From fiscal 1994 to 2004, county income tax revenues increased by 88.2 percent, while county property tax revenues increased by 41.0 percent. The large increase in income tax revenues was due mainly to the growth of the national and local economies during the late 1990s. However, the strong economy during the 1990s did not result in significant increases in the county assessable base. From 1993 to 2003, the total county assessable base increased at an annual average rate of 3.4 percent compared to 10 percent in the early 1990s. Beginning in fiscal 2004, property assessments began to soar with annual growth rates ranging from 7.0 percent in fiscal 2004 to 13.1 percent in fiscal 2006.

For municipal corporations, property taxes are no longer the largest source of revenue due mainly to the relatively slow growth in assessable base from 1993 to 2003. Property taxes accounted for 41.2 percent of municipal own-source revenues in fiscal 1994 and 37.2 percent in fiscal 2004. Now, service charges have become the largest source of municipal revenue at 39.5 percent of municipal own-source revenues in fiscal 2004 compared to 37.9 percent in fiscal 1994. (As a share of total municipal revenue, service charges accounted for 32.4 percent of municipal revenue in fiscal 1994 and 33.1 percent in fiscal 2004.) Municipal corporations utilize service charges to cover virtually all costs associated with providing water, sewer, and waste removal services to residents.

Even with this slight decline, local governments remain dependent on the property tax to fund vital public services such as education. This dependence is partly due to the fact that the property tax is a relatively stable and predictable revenue source, especially in periods of slow economic growth. Throughout the early 1990s, property assessments realized significant growth while other local revenue sources were realizing lower growth due to the slow down in the State's economy. Likewise, property assessments increased rapidly beginning in fiscal 2004, whereas other local tax revenues, particularly income tax revenues, remained stagnant.

Tax Base

State law provides that the owners of the following types of property are generally subject to a property tax:

- real property;
- tangible personal property owned by businesses;
- operating property of railroads;
- operating property of public utilities;
- stock in trade of manufacturing or commercial businesses; and
- certain leaseholds.

Exhibit 8.4 shows each county's estimated total assessable real and personal property base for fiscal 2006. Exhibit 8.5 provides a breakdown of the real property tax base for fiscal 2006 by type of use: residential, commercial, agricultural, and use assessment.

Exhibit 8.4
County Fiscal 2006 Estimated Assessable Base
(\$ in Thousands)

County	Real Property		Railroad Operating		Utility Operating Property		Other Business	Grand
	Full Year	New	Real	Personal	Real	Personal	Personal Property	Total
Allegany	\$2,437,947	\$5,740	\$8,328	\$8,006	\$11,581	\$101,305	\$228,577	\$2,801,484
Anne Arundel	49,897,454	226,577	416	536	209,230	1,101,726	1,167,100	52,603,039
Baltimore City	20,945,156	276,052	116,700	15,421	166,645	836,104	935,760	23,291,838
Baltimore	52,256,050	361,930	9,415	6,316	153,219	1,143,461	1,601,950	55,532,341
Calvert	7,275,351	40,596	0	0	236,142	745,681	105,040	8,402,810
Caroline	1,695,218	18,379	0	0	7,568	38,544	38,170	1,797,879
Carroll	12,842,209	79,942	1029	1,029	16,355	243,780	248,120	13,432,464
Cecil	6,548,484	59,591	3,289	2,824	29,606	101,743	234,920	6,980,457
Charles	10,309,636	111,445	659	1,175	23,080	178,251	674,270	11,298,516
Dorchester	1,920,783	23,304	0	0	11,087	69,679	49,740	2,074,593
Frederick	18,536,937	152,109	4,779	0	38,987	295,038	0	19,027,850
Garrett	2,754,096	21,401	507	3,593	38,684	54,782	1,248	2,874,311
Harford	16,349,982	138,629	1,198	1,083	77,301	451,743	375,120	17,395,056
Howard	29,272,087	291,350	9,806	2,883	24,676	464,138	871,140	30,936,080
Kent	1,873,357	14,128	0	0	8,228	27,615	0	1,923,328
Montgomery	119,075,988	747,757	6,023	2,757	162,648	1,392,388	2,285,350	123,672,911
Prince George's	51,225,773	517,665	3,953	4,025	83,861	1,087,028	1,651,100	54,573,405
Queen Anne's	5,135,633	36,037	0	0	13,087	46,270	0	5,231,027
St. Mary's	6,573,114	51,807	0	0	9,167	116,810	130,510	6,881,408
Somerset	884,867	14,261	2,915	3,276	5,842	24,318	27,470	962,949
Talbot	5,802,264	35,472	0	0	9,216	41,547	0	5,888,499
Washington	8,230,573	93,761	17,277	8,478	13,982	158,526	333,140	8,855,737
Wicomico	4,516,020	47,048	3,968	3,131	23,788	105,646	330,240	5,029,841
Worcester	11,423,584	96,871	751	164	18,342	81,431	187,440	11,808,583
Total	\$447,782,563	\$3,461,849	\$191,013	\$64,697	\$1,392,322	\$8,907,554	\$11,476,405	\$473,276,403

Source: March 2006 Base Estimates, State Department of Assessments and Taxation

Exhibit 8.5
Fiscal 2006 Real Property Tax Base by County and Type of Use

County	Residential Base	% of Total	Commercial Base	% of Total	Agricultural Base	% of Total	Use Base	% of Total	Total Base
Allegany	\$1,748,136,903	72%	\$621,949,696	25%	\$69,891,815	3%	\$0	0%	\$2,439,978,414
Anne Arundel	40,234,349,101	81%	9,196,269,787	18%	348,914,831	1%	25,746,020	0%	49,805,279,739
Baltimore City	13,909,015,758	66%	7,011,803,375	34%	0	0%	0	0%	20,920,819,133
Baltimore	38,812,463,043	74%	12,909,799,884	25%	764,237,236	1%	28,034,331	0%	52,514,534,494
Calvert	6,501,961,709	90%	558,746,670	8%	198,868,518	3%	1,710	0%	7,259,578,607
Caroline	1,182,080,634	70%	234,971,549	14%	267,777,649	16%	4,348,660	0%	1,689,178,492
Carroll	10,582,325,340	82%	1,571,756,443	12%	665,893,871	5%	11,154,466	0%	12,831,130,120
Cecil	4,938,988,819	76%	1,194,274,925	18%	385,797,432	6%	9,890	0%	6,519,071,066
Charles	8,305,545,945	80%	1,764,532,403	17%	285,566,302	3%	5,340	0%	10,355,649,990
Dorchester	1,348,604,041	67%	430,420,347	21%	221,895,266	11%	10,281,740	1%	2,011,201,394
Frederick	14,322,242,573	77%	3,289,066,057	18%	914,945,059	5%	26,046,792	0%	18,552,300,481
Garrett	2,313,360,943	84%	295,468,520	11%	141,772,859	5%	0	0%	2,750,602,322
Harford	13,186,398,091	81%	2,593,284,217	16%	547,873,279	3%	0	0%	16,327,555,587
Howard	22,851,959,941	78%	6,074,332,684	21%	327,706,886	1%	0	0%	29,253,999,511
Kent	1,332,982,511	71%	278,016,548	15%	262,075,635	14%	283,130	0%	1,873,357,824
Montgomery	93,581,786,382	79%	24,781,771,091	21%	448,861,694	0%	96,457,364	0%	118,908,876,531
Prince George's	42,092,606,400	76%	12,994,655,382	24%	26,704,442	0%	23,146,468	0%	55,137,112,692
Queen Anne's	4,171,512,493	81%	457,802,108	9%	505,211,467	10%	1,107,546	0%	5,135,633,614
St. Mary's	5,391,742,433	80%	972,743,886	14%	351,174,120	5%	6,409,090	0%	6,722,069,529
Somerset	630,403,470	71%	141,403,765	16%	113,142,053	13%	668,092	0%	885,617,380
Talbot	4,492,937,218	77%	651,672,552	11%	654,057,178	11%	3,232,766	0%	5,801,899,714
Washington	5,614,090,185	68%	2,212,041,158	27%	389,821,295	5%	0	0%	8,215,952,638
Wicomico	3,174,133,108	70%	1,107,049,338	25%	228,180,102	5%	4,682,515	0%	4,514,045,063
Worcester	9,259,705,446	82%	1,864,638,226	16%	228,207,398	2%	121,493	0%	11,352,672,563
Total	\$349,979,332,487	77%	\$93,208,470,611	21%	\$8,348,576,387	2%	\$241,737,413	0%	\$451,778,116,898

Source: 2005 Assessment Ratios Survey Report, December 2005, State Department of Assessments and Taxation

Assessment of Real and Personal Property

A well-defined statutory relationship exists between the State and local governments in the administration of the property tax system. While property tax revenues are a relatively minor revenue source to the State, the State has assumed responsibility for the valuation and assessment of property. Local governments, on the other hand, levy and collect property taxes. The State takeover of the valuation and assessment function was implemented to provide uniform and equitable assessments of property throughout the State, in compliance with the “uniformity clause” of the Maryland State Constitution. Article 15 of the Declaration of Rights provides that the State shall “by uniform rules, provide for the separate assessment, classification and sub-classification of land, improvements on land, and personal property . . . and all taxes . . . shall be uniform within each class or sub-class . . .”

Real Property

Real property is valued and assessed once every three years by the State Department of Assessments and Taxation. This approach, the triennial assessment process, was part of major property tax reform established in 1979. Under this process, assessors from the department physically inspect each property every three years. No adjustments are made in the interim, except in certain cases including (1) a zoning change; (2) a substantial change in property use; (3) extensive improvements to the property; or (4) a prior erroneous assessment. The assessor determines the current “full market value” of the property and any increase in value is phased in over a three-year period. Any decrease, however, is recognized immediately for assessment purposes.

Special use assessments may apply to certain types of property such as agricultural land, woodland, marshland, country clubs, and golf courses. Special use assessments are fully described in *Maryland’s Revenue Structure*, Volume III of the Legislative Handbook Series.

Personal Property

Subject to numerous exemptions, tangible business personal property located in Maryland is subject to local personal property tax. Although the State does not impose a personal property tax, the assessment of personal property is also the responsibility of the State Department of Assessments and Taxation. Assessments are made annually on the basis of sworn reports filed by businesses with the department’s central office. Inventory is valued at its “fair average value”, which means the lower of cost or market value averaged over the number of months in a year the inventory is in existence. All other business personal property, including office furniture, fixtures, equipment, and machinery, is valued at “full cash value.” Uniform rates of depreciation are applied to the cost of the property to determine full cash

value. Separate provisions apply to the assessment of operating property of railroads and public utilities.

Tax Rate Setting Authority

Local property tax rates are set annually by local governments and are applied to the county and municipal assessable bases. Generally, State law does not restrict the level of property taxation imposed by local governments. The one exception is the General Assembly's authority to set maximum limits on the rate of property taxes in municipal corporations and code counties under the provisions of Article XI-E, Section 5 and Article XI-F, Section 8 of the Maryland Constitution. However, the Department of Legislative Services is unaware of any instances in which this authority has ever been exercised.

Local Property Tax Rates

The local property tax rate is established by each county, Baltimore City, or municipal corporation expressed as an amount per \$100 of assessed value. The county property tax rate may be supplemented by special property tax levies for special districts. Several counties have exercised this authority and have created special taxing districts to finance services not included in the general rate. These services range from fire protection and parks and recreation services, which usually encompass the entire local jurisdiction, to water, sewer, and community benefit services that target a smaller segment of the county. Further, taxpayers are subject to different rates in many districts depending on the level of services provided in those districts.

Exhibit 8.6 shows county property tax rates, including appropriate countywide special tax rates, for fiscal 2003 through 2007. Exhibit 8.7 shows the special county property tax rates in Charles, Frederick, Howard, Montgomery, and Prince George's counties in fiscal 2007.

Exhibit 8.6
Real Property Tax Rates in Maryland Counties
(Per \$100 of Assessed Value)
Fiscal 2003-2007

County	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Allegany	\$0.984	\$1.000	\$1.001	\$1.001	\$0.983
Anne Arundel	0.950	0.955	0.941	0.931	0.918
Baltimore City	2.328	2.328	2.328	2.308	2.288
Baltimore	1.115	1.115	1.115	1.115	1.110
Calvert	0.892	0.892	0.892	0.892	0.892
Caroline	0.952	0.952	0.952	0.910	0.870
Carroll	1.048	1.048	1.048	1.048	1.048
Cecil	0.980	0.980	0.980	0.980	0.960
Charles	1.016	1.016	1.026	1.026	1.026
Dorchester	0.880	0.930	0.930	0.920	0.896
Frederick	1.100	1.135	1.135	1.135	1.064
Garrett	1.036	1.036	1.036	1.000	1.000
Harford	1.092	1.092	1.092	1.082	1.082
Howard	1.170	1.170	1.170	1.170	1.140
Kent	1.012	1.012	1.012	0.992	0.972
Montgomery	1.019	1.019	1.009	0.967	0.916
Prince George's	1.286	1.319	1.319	1.319	1.319
Queen Anne's	0.976	0.976	0.926	0.870	0.800
St. Mary's	0.908	0.908	0.878	0.872	0.857
Somerset	1.010	1.010	1.010	0.990	0.940
Talbot	0.553	0.553	0.540	0.520	0.500
Washington	0.948	0.948	0.948	0.948	0.948
Wicomico	1.047	1.041	1.025	0.993	0.942
Worcester	0.730	0.730	0.730	0.730	0.700

Note: The rates in Charles, Frederick, Howard, Montgomery, and Prince George's counties reflect special rates for services not funded from the general county property tax rate.

Source: Department of Legislative Services

Exhibit 8.7
Special County Property Tax Rates
Fiscal 2007

	<u>Real Property Tax Rate</u>	<u>Percent of Total</u>
Charles County		
General Tax	\$0.962	93.8%
Fire District Tax	0.064	6.2%
Total Rate	\$1.026	100.0%
Frederick County		
General Tax	\$0.936	88.0%
Fire District Tax (Urban)	0.128	12.0%
Total Rate	\$1.064	100.0%
Howard County		
General Tax	\$1.0140	89.0%
Fire District Tax (Metro)	0.1255	11.0%
Total Rate	\$1.1395	100.0%
Montgomery County		
General Tax	\$0.624	68.1%
Transit Tax	0.053	5.8%
Fire District Tax	0.134	14.6%
M-NCPPC	0.078	8.5%
Recreation Tax	0.024	2.6%
Storm Drainage Tax	0.003	0.3%
Total Rate	\$0.916	100.0%
Prince George's County		
General Tax	\$0.960	72.8%
M-NCPPC	0.279	21.2%
WSTC	0.026	2.0%
Stormwater	0.054	4.1%
Total Rate	\$1.319	100.0%

Source: Department of Legislative Services

Factors Affecting Local Property Tax Rates

Local property tax rates are a function of a jurisdiction's property tax base, assessment increases and statutory limits on annual assessment increases, public demand for governmental services, and other sources of revenues available to fund government programs. The larger the property tax base in a county, the more tax revenue that can be derived with an increase in the property tax rate.

For example, based on fiscal 2006 estimates, a one-cent increase in the real property tax rate in Montgomery County generates an additional \$12.0 million in revenue, whereas it generates only \$5.2 million in Prince George's County, even though there is only a slight difference in the number of residents in the two counties. In addition, jurisdictions with large property tax bases can rely more heavily on property taxes, while keeping other taxes low. For example, due to the high value of ocean-front property in Ocean City, Worcester County is able to maintain the State's lowest local income tax rate, while having the second lowest property tax rate.

As the demand and cost for governmental services increase, counties may increase property tax rates to generate the revenue to fund these services and programs. For example, as a jurisdiction becomes more urbanized, the demand for certain services such as police, fire protection, and utilities tends to increase. In addition, counties with relatively high costs of living must spend more than other jurisdictions to obtain the same quality of services. Consequently, unless other sources of revenue are available to fund these services, local tax rates could increase.

Local governments, however, can realize additional property tax revenue without changing tax rates if the assessable base grows. In addition, many jurisdictions are able to rely on alternative ways to generate revenues other than the property tax. For example, counties with large net taxable incomes can receive a significant amount of revenue through the local income tax, thereby offsetting the need to increase property tax rates.

Property Tax Differentials and Rebates

To compensate municipal corporations for providing services in lieu of similar county services or programs and to address the effect of double taxation when residents pay both county and municipal property taxes, in fiscal 2005 17 counties provided property tax set-offs, through either a tax rate differential or tax rebate. A municipal tax rate differential takes the form of a reduced county property tax rate within the boundaries of a municipal corporation. A tax rebate is a direct grant to a municipal corporation for providing services that are similar to county services. In fiscal 2005, municipal tax differentials and rebates totaled approximately \$52 million.

Provisions relating to the establishment of property tax differentials and rebates are specified in the Annotated Code of Maryland. Section 6-305 of the Tax-Property Article mandates that Allegany, Anne Arundel, Baltimore, Frederick, Garrett, Harford, Howard, Montgomery, and Prince George's counties meet annually with the governing bodies of municipal corporations to discuss the property tax rate to be set for assessments of property in the municipal corporation. If it is demonstrated that a municipal corporation performs services or programs in lieu of similar county services and programs, the governing body of the county must impose the county property tax on assessments of property in the municipal corporation at a rate that is less than the general county property tax rate.

Section 6-306 governs the procedure for the setting of a tax differential in the other counties. The governing bodies of the counties are required to meet annually with governing bodies of municipal corporations to discuss the property tax rate to be set for assessments of property in the municipal corporation. If it is demonstrated that the municipal corporation performs services or programs in lieu of similar county services, the county may establish a county property tax rate for property in the municipal corporation that is lower than the general county property tax rate.

Property Tax Limitation Measures

Local property tax limitation measures can affect local property tax rates either by limiting the tax rate a county may impose or by limiting property tax revenue growth. Five counties have provisions in their county charters that limit property tax rates or revenues. Montgomery County limits property tax revenue growth to the increase in the Consumer Price Index (excluding new construction), unless a higher rate of growth is approved by seven of the nine county council members. In Prince George's County, the general property tax rate is capped at \$0.96 per \$100 of assessed value. Special taxing districts, such as the Maryland-National Capital Park and Planning Commission, are not included under this cap. Anne Arundel County limits property tax revenue growth to 4.5 percent, or the increase in the Consumer Price Index, whichever is less. In Talbot and Wicomico counties, the total annual increase in property tax revenues is limited to the lesser of 2 percent or the increase in the Consumer Price Index.

Some municipal corporations also have maximum property tax rates set forth in their charter. Approximately 20 of the 156 municipal corporations in Maryland currently have some type of property tax rate limitation. In most cases, these limitations set a maximum tax rate. However, some municipal charters specify instances in which the tax limitations may be exceeded such as for debt service and some will have different rate limitations for different property taxes (real, personal, special tax district rates).

Constant Yield Tax Rate Provision

The “constant yield” is a concept that, as property values fluctuate, the tax rate should be adjusted so that the revenue derived from the property tax stays at a constant level from year to year, thus assuring local governments a “constant yield” from its tax source. The constant yield tax rate is the rate that, when applied to the current assessable base, yields the same property tax revenue as in the prior year. Generally, when there is growth in the real property assessable base, the constant yield tax rate is lower than the existing tax rate. The Department of Assessments and Taxation notifies all county and municipal corporations by February 14 of their constant yield tax rates for the upcoming fiscal year.

Under the constant yield tax rate law, taxing authorities are required to (1) provide information to the public about the constant yield tax rate and the assessable base and (2) hold public hearings regarding proposals to enact a tax rate that is higher than the constant yield rate. A municipal corporation is exempt from the requirements of the Constant Yield Tax Rate law if the difference in revenue generated by the current year’s tax rate and the constant yield tax rate is less than \$25,000. If a municipal corporation is exempt from the Constant Yield Tax Rate law, it is not required to advertise or hold public hearings on the proposed tax rate increase. The municipal corporation may set any tax rate within the limits of its town charter. The department is required to report to the Attorney General any taxing authority that appears to have violated the requirements of this law. Violating jurisdictions must reduce their property tax rates to the constant yield level and must refund all excessive taxes that have been collected.

Tax Exemptions

While local governments have limited ability to alter real property exemptions, they have been granted broad authority to exempt certain types of personal property from property taxation. The types of property exempt from local taxation are enumerated in Title 7 of the Tax-Property Article. Exemptions apply to State property taxation as well, although the State does not tax personal property. The major exemptions from the local property tax are:

Real Property

- local, State, and federal government property;
- property of religious organizations;
- cemeteries and mausoleums;

- nonprofit hospitals; portions of continuing care facilities for the elderly;
- property of charitable, fraternal, and educational institutions;
- property used for national defense or military housing;
- property of national veterans' organizations;
- homes of disabled veterans and the blind (partial exemption) or a surviving spouse of either;
- property of historical societies and museums;
- property owned by certain taxpayers engaged in building, operating, and managing nonprofit multifamily units, subject to local government approval; and
- property owned by fire companies, rescue squads, community water corporations, and housing authorities.

Personal Property

- property of finance companies and savings and loan associations, generally;
- manufacturing equipment (though subject to tax in some counties at specified percentages of assessment and subject to municipal corporation property tax unless exempted in full or in part by the municipal corporation);
- manufacturing inventory (though subject to municipal corporation property tax unless exempted in full or in part by the municipal corporation);
- commercial inventory (though subject to tax on up to 35 percent of assessment in Wicomico County and subject to municipal corporation property tax unless exempted in full or in part by the municipal corporation);
- motor vehicles, small vessels, and registered aircraft;
- certain agricultural products and commodities;
- farming implements and livestock;
- personal possessions in the owner's home;

- property belonging to a home-based business with an initial purchase price of less than \$10,000; and
- intangible property.

Property Tax Credits

Under the Tax-Property Article, local governments are subject to statewide mandatory tax credit programs and have general authority to grant tax credits for certain types of property. They also are subject to mandatory and optional tax credits specific to individual counties and municipal corporations. Authority to grant local tax credits must be provided in the Tax-Property Article.

Statewide Mandatory Tax Credit Programs

Statewide mandatory tax credits such as the Homeowners' (Circuit Breaker) Tax Credit and Enterprise Zone Tax Credit programs reduce local property taxes; however, with respect to the homeowners' and enterprise zone tax credits, counties are reimbursed in full or in part by the State for their revenue loss. Local governments may enact a local supplement to the Homeowners' Tax Credit Program, providing additional relief to homeowners, although they must bear the cost of the local supplement. The statewide mandatory tax credit programs are described in *Maryland's Revenue Structure*, Volume III of the Legislative Handbook Series.

Homestead Tax Credit Program

The Homestead Tax Credit Program (assessment caps) provides tax credits against State, county, and municipal corporation real property taxes for owner-occupied residential properties for the amount of real property taxes resulting from an annual assessment increase that exceeds a certain percentage or "cap" in any given year. The State requires the cap on assessment increases to be set at 10 percent for State property tax purposes; however, local governments have the authority to lower the rate. Unlike other statewide mandated tax credit programs, the costs of the Homestead Tax Credit Program are incurred fully by the local governments. This credit tends to moderate fluctuations in property tax assessments. In fiscal 2007, 15 of the 24 local jurisdictions have assessment caps below 10 percent as illustrated in Exhibit 8.8. In addition, 65 of the State's 156 municipal corporations have also lowered assessment caps below 10 percent.

Exhibit 8.8
Counties with Assessment Caps Below 10% in Fiscal 2007

<u>County</u>	<u>Cap</u>	<u>County</u>	<u>Cap</u>	<u>County</u>	<u>Cap</u>
Anne Arundel	2%	Dorchester	5%	Prince George's	3%
Baltimore City	4%	Frederick	5%	Queen Anne's	5%
Baltimore	4%	Garrett	5%	St. Mary's	5%
Carroll	7%	Howard	5%	Talbot	0%
Cecil	8%	Kent	5%	Worcester	3%

Source: State Department of Assessments and Taxation

The Homestead Tax Credit Program has provided significant local property tax relief in recent years. This foregone revenue for county governments is estimated at \$622.4 million in fiscal 2007 and \$902.2 million in fiscal 2008. The additional tax relief associated with the local assessment caps that are below 10 percent is estimated at \$97.1 million in fiscal 2007 and \$187.4 million in fiscal 2008. The extent to which the program may actually restrict the ability of a local government to raise property tax revenues depends on the locality's need for revenues from the property tax and other legal and practical limitations. For example, a county impacted by a charter-imposed property tax limitation measure would presumably reduce tax rates to offset the impact of rising assessments in the absence of the homestead credit.

Local Tax Credits

Tax credits that may be authorized by local governing bodies, against local taxation only, are specified by law for various types of property, including cemetery property; structures utilizing solar or geothermal energy saving devices; historic property undergoing restoration or preservation; manufacturing, fabricating, and assembling facilities; agricultural land subject to Maryland agricultural land preservation easements; newly constructed dwellings that are unsold or unrented; open space; tobacco barns; and other specified property. As noted previously, the Tax-Property Article also sets out numerous mandatory and optional property tax credits specific to individual counties and municipal corporations.

Payment Dates

Property taxes for owner-occupied residential property are due under a semiannual schedule. The first installment is due on July 1 and may be paid without interest on or before September 30. The second installment is due on December 1 and may be paid without interest on or before December 31. Local governments may add a service fee to

the second installment to pay for administrative costs. Homeowners may elect to pay the full year's property tax on or before September 30 to avoid the service charge or interest.

Property taxes for property other than owner-occupied residential property are due on July 1 and may be paid without interest on or before September 30. If billed after September 1, the taxes are due without interest 30 days after the date of the tax bill.

Revenue Collections

Until the 1967 enactment of local income taxing authority, the property tax represented the only major source of local government tax revenues. Property taxes remain the largest tax revenue source for the counties and municipal corporation. Exhibit 8.9 shows the percentage change in the total county assessable base (real and personal property) since fiscal 1997. Exhibit 8.10 shows the amount of property tax collections for both counties and municipal corporations in fiscal 2004.

Legal Reference

Tax-Property Article

Maryland Constitution, Article XI-E, Section 5 and Article XI-F, Section 8

Local Income Tax

In an effort to reduce reliance on the local property tax, legislation was enacted in 1967 authorizing local governments to impose a local personal income tax. Prior to 1967, local governments received a share of the State income tax.

Tax Base

Maryland taxable income is the tax base used in determining local income tax liability. Maryland taxable income is the taxpayer's federal adjusted gross income adjusted by Maryland addition and subtraction modifications, deductions, and exemptions specified under State law. Multiplying income tax rates by Maryland taxable income, and then deducting applicable credits determines the State and local income tax. (For more information on the State income tax computation, see *Maryland's Revenue Structure*, Volume III of the Legislative Handbook Series.)

Exhibit 8.9
Growth in County Assessable Base – Real and Personal Property
Fiscal 1997-2006

County	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Allegany	0.7%	1.4%	8.7%	11.4%	-0.2%	-4.4%	-2.1%	1.5%	3.3%	4.3%
Anne Arundel	2.5	2.7	2.8	3.6	3.6	5.6	6.7	8.3	11.5	14.2
Baltimore City	-1.3	-0.3	0.5	0.4	2.0	2.5	2.8	2.8	6.8	7.7
Baltimore	2.2	2.6	2.6	3.0	3.1	2.9	3.5	4.0	5.5	9.9
Calvert	5.2	3.8	3.8	3.9	1.0	2.1	5.7	7.6	9.9	12.3
Caroline	2.9	4.8	5.1	5.4	5.3	4.3	5.0	5.1	9.3	12.6
Carroll	3.7	3.9	4.0	4.7	5.3	5.1	6.9	6.5	8.7	13.0
Cecil	3.0	3.0	3.6	4.1	4.8	5.0	6.6	7.6	10.9	11.4
Charles	4.6	3.4	3.6	4.7	2.7	8.2	5.8	7.4	8.2	12.2
Dorchester	2.6	2.8	2.4	1.5	4.5	2.9	5.6	10.2	6.7	11.1
Frederick	3.7	4.5	4.2	4.3	5.3	5.8	6.5	6.7	9.4	16.0
Garrett	4.6	3.1	5.0	4.6	6.7	4.7	7.4	8.8	8.5	14.3
Harford	4.9	4.7	5.2	5.1	4.6	5.0	6.1	5.8	8.1	11.2
Howard	2.2	4.2	4.8	5.7	5.4	8.5	4.2	7.8	11.2	14.2
Kent	2.6	2.6	1.7	1.4	2.6	3.8	5.0	7.0	8.7	13.0
Montgomery	3.3	2.9	2.1	2.4	3.5	4.6	6.4	9.3	11.8	16.2
Prince George's	1.2	0.6	2.0	1.4	1.8	3.0	4.7	4.6	7.2	11.1
Queen Anne's	4.5	3.7	4.7	4.9	5.7	6.6	8.9	11.4	13.3	14.3
St. Mary's	3.5	5.2	5.2	5.6	4.9	4.2	5.9	5.4	6.5	10.7
Somerset	4.0	2.2	2.7	2.8	2.6	1.8	3.8	5.3	5.9	13.3
Talbot	2.2	2.9	3.6	4.4	0.5	11.3	8.8	11.1	13.6	14.6
Washington	3.8	5.2	2.7	6.0	4.4	6.1	2.3	9.4	3.2	11.6
Wicomico	4.0	4.1	2.8	4.1	6.5	2.4	3.9	5.6	5.9	9.1
Worcester	2.5	1.6	3.1	3.6	4.0	6.3	8.5	16.0	19.2	17.6
Statewide	2.5%	2.6%	2.8%	3.2%	3.5%	4.5%	5.4%	7.0%	9.4%	13.1%

Source: State Department of Assessments and Taxation

Exhibit 8.10
Property Tax Revenues – Fiscal 2004

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$28,070,615	\$2,746,023	\$30,816,638	\$418	23
Anne Arundel	395,543,082	20,306,784	415,849,866	821	10
Baltimore City	531,806,510	0	531,806,510	846	9
Baltimore	569,009,093	0	569,009,093	732	15
Calvert	70,820,649	2,384,606	73,205,255	870	8
Caroline	14,561,551	2,871,559	17,433,110	565	22
Carroll	121,386,703	8,950,036	130,336,739	799	13
Cecil	59,763,534	7,429,168	67,192,702	724	19
Charles	94,360,004	2,370,487	96,730,491	727	18
Dorchester	17,624,406	4,763,766	22,388,172	731	16
Frederick	166,807,853	28,781,727	195,589,580	915	4
Garrett	25,144,871	1,137,297	26,282,168	875	7
Harford	176,454,611	13,018,838	189,473,449	816	12
Howard	299,686,427	0	299,686,427	1,134	2
Kent	16,094,455	1,773,596	17,868,051	908	6
Montgomery	992,661,453	46,931,434	1,039,592,887	1,131	3
Prince George's	613,297,628	52,147,940	665,445,568	793	14
Queen Anne's	39,771,711	364,781	40,136,492	910	5
St. Mary's	56,359,258	210,006	56,569,264	610	21
Somerset	8,970,833	1,274,391	10,245,224	403	24
Talbot	21,230,753	7,130,567	28,361,320	818	11
Washington	75,496,283	14,734,644	90,230,927	660	20
Wicomico	49,183,299	14,679,078	63,862,377	731	17
Worcester	63,315,055	29,917,826	93,232,881	1,880	1
Statewide	\$4,507,420,637	\$263,924,554	\$4,771,345,191	\$866	

Source: *Local Government Finances in Maryland*, Department of Legislative Services

Tax Rate Setting Authority

Every county and Baltimore City levies a local income tax on their residents. The tax is assessed as a percentage of the taxpayer's Maryland taxable income. Local governments are authorized to set a local income tax rate of at least 1 percent but not more than 3.2 percent. Generally, each municipal corporation shares in its county's income tax revenues by receiving the greater of 17 percent of the county income taxes paid by the municipal corporation's residents or 0.37 percent of the State income tax liability of the municipal corporation's residents. Exhibit 8.11 shows the local income tax rates for calendar 2003 through 2007.

Administration of Tax

In conjunction with its collection of the State income tax, the Revenue Administration Division of the Office of the Comptroller collects the local individual income tax, deducts portions to pay refunds and defray administrative costs, then distributes the net revenues to the appropriate county or municipal corporation. Distributions of withholding and estimated tax are required by State law, for the first three quarters of the fiscal year, to be made as often as practicable, but at least quarterly. For the fourth quarter of the fiscal year, a distribution must be made for the months of April and May before the end of the fiscal year and a distribution for the month of June before August 31. In practice, the Comptroller's Office currently makes 10 distributions each fiscal year.

The counties, Baltimore City, municipal corporations, and special taxing districts also receive unclaimed income taxes withheld by employers or paid as declarations of estimated tax in an amount equal to their prorated share of the taxes as defined in the Annotated Code. Exhibit 8.12 shows the income tax revenue collections of the subdivisions in fiscal 2004.

Legal Reference

Tax-General Article, Sections 2-601 through 2-610, 10-103, 10-106, 10-201

Exhibit 8.11
Local Income Tax Rates
Calendar 2003-2007

County	CY 2003	CY 2004	CY 2005	CY 2006	CY 2007
Allegany	2.93%	2.93%	2.93%	2.93%	2.93%
Anne Arundel	2.56	2.56	2.56	2.56	2.56
Baltimore City	3.05	3.05	3.05	3.05	3.05
Baltimore	2.83	2.83	2.83	2.83	2.83
Calvert	2.60	2.80	2.80	2.80	2.80
Caroline	2.63	2.63	2.63	2.63	2.63
Carroll	2.85	3.05	3.05	3.05	3.05
Cecil	2.80	2.80	2.80	2.80	2.80
Charles	2.90	2.90	2.90	2.90	2.90
Dorchester	2.62	2.62	2.62	2.62	2.62
Frederick	2.96	2.96	2.96	2.96	2.96
Garrett	2.65	2.65	2.65	2.65	2.65
Harford	3.06	3.06	3.06	3.06	3.06
Howard	2.45	3.20	3.20	3.20	3.20
Kent	2.58	2.58	2.85	2.85	2.85
Montgomery	2.95	3.20	3.20	3.20	3.20
Prince George's	3.10	3.20	3.20	3.20	3.10
Queen Anne's	2.85	2.85	2.85	2.85	2.85
St. Mary's	3.10	3.10	3.05	3.00	3.00
Somerset	3.15	3.15	3.15	3.15	3.15
Talbot	1.79	2.25	2.25	2.25	2.25
Washington	2.80	2.80	2.80	2.80	2.80
Wicomico	3.10	3.10	3.10	3.10	3.10
Worcester	1.25	1.25	1.25	1.25	1.25

Source: Comptroller of the Treasury

Exhibit 8.12
Income Tax Revenues
Fiscal 2004

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$21,536,150	\$1,258,176	\$22,794,326	\$309	20
Anne Arundel	298,065,106	4,004,173	302,069,279	596	7
Baltimore City	182,506,383	0	182,506,383	290	22
Baltimore	465,969,634	0	465,969,634	600	6
Calvert	46,585,767	519,752	47,105,519	560	9
Caroline	9,481,201	423,450	9,904,651	321	18
Carroll	90,410,674	3,590,255	94,000,929	576	8
Cecil	39,138,613	1,529,484	40,668,097	438	14
Charles	70,581,168	912,193	71,493,361	537	11
Dorchester	8,505,222	538,795	9,044,017	295	21
Frederick	132,462,327	6,617,857	139,080,184	651	3
Garrett	9,032,978	294,759	9,327,737	310	19
Harford	136,999,287	2,686,014	139,685,301	602	5
Howard	204,416,863	0	204,416,863	774	2
Kent	7,653,429	471,414	8,124,843	413	16
Montgomery	869,667,887	22,300,275	891,968,162	971	1
Prince George's	367,599,240	14,192,852	381,792,092	455	13
Queen Anne's	26,765,483	156,721	26,922,204	610	4
St. Mary's	51,352,963	198,830	51,551,793	556	10
Somerset	6,345,106	176,137	6,521,243	256	23
Talbot	15,429,138	1,426,282	16,855,420	486	12
Washington	53,071,877	2,566,432	55,638,309	407	17
Wicomico	35,623,559	1,614,661	37,238,220	426	15
Worcester	10,756,250	1,038,489	11,794,739	238	24
Statewide	\$3,159,956,305	\$66,517,001	\$3,226,473,306	\$586	

Source: *Local Government Finances in Maryland*, Department of Legislative Services

Local Property Transfer Tax

Tax Base

A local property transfer tax may be imposed on instruments of writing transferring title to real property. The power to levy such a tax must be approved by the General Assembly for charter and commission counties and Baltimore City. Code counties are authorized by statute to impose a transfer tax. A distinction is made in the local codes between instruments transferring title such as a deed or certain leaseholds and instruments securing real property such as a mortgage. Except in Prince George's County, mortgages are not subject to the tax.

Tax Rate Setting Authority

Sixteen counties and Baltimore City currently impose the property transfer tax. In addition, Cecil County imposes a \$10 charge per deed. Code counties are authorized to impose the transfer tax at a maximum rate of 0.5 percent. The tax rates imposed in charter and commission counties varies, with the rates being established by public local laws and local ordinances. Tax rates in effect for fiscal 2007 are shown in Exhibit 8.13 along with the tax rates and revenues collected in fiscal 2004. Local property transfer tax rates have remained fairly constant from fiscal 2004 to 2007. Allegany County's rate was raised from 0.2 percent to 0.5 percent in fiscal 2006, yet all other county rates have remained the same.

Tax Exemptions

State law provides for the following exemptions to the local property transfer tax in code counties:

- transfers to public agencies;
- transfers between relatives of the immediate family involving assumed debt;
- transfers between spouses or former spouses, including those pursuant to divorce decrees or settlements;
- supplemental instruments without new consideration or debt;
- previously recorded instruments;

Exhibit 8.13
Local Property Transfer Taxes

County	County Tax Rates		FY 2004 Revenues	Per Capita Revenues	Per Capita Ranking
	FY 2004	FY 2007			
Allegany	0.20%	0.05%	\$232,532	\$3	17
Anne Arundel	1.00	1.00	47,164,989	93	6
Baltimore City	1.50	1.50	31,209,314	50	11
Baltimore	1.50	1.50	59,210,600	76	7
Calvert ¹	-	-	-	-	
Caroline	0.50	0.50	887,552	29	14
Carroll ¹	-	-	-	-	
Cecil	\$10/deed	\$10 deed	44,327	0	18
Charles ¹	-	-	-	-	
Dorchester	0.75	0.75	950,019	31	13
Frederick ¹	-	-	-	-	
Garrett	1.00	1.00	2,138,847	71	8
Harford	1.00	1.00	14,672,604	63	9
Howard	1.00	1.00	27,714,068	105	5
Kent	0.50	0.50	813,197	41	12
Montgomery	1.00	1.00	108,270,290	118	3
Prince George's	1.40	1.40	92,204,250	110	4
Queen Anne's	0.50	0.50	319,773	7	16
St. Mary's	1.00	1.00	5,753,717	62	10
Somerset ¹	-	-	-	-	
Talbot	1.00	1.00	5,469,730	158	1
Washington	0.50	0.50	2,439,544	18	15
Wicomico ¹	-	-	-	-	
Worcester	0.50	0.50	6,431,455	130	2
Statewide			\$405,926,808	\$74	

¹These counties do not impose a transfer tax.

Note: Amounts include only county revenues. Municipalities are not authorized to impose these taxes.

Source: Department of Legislative Services and Maryland Association of Counties

- judgments;
- orders of satisfaction;
- participation agreements;
- transfers of corporate property between related corporations;
- corporate, partnership, and limited liability company conveyances to certain persons on dissolution;
- land installment contracts;
- options to purchase real property;
- deeds for prior recorded contracts of sale with same parties;
- leases of seven years or less;
- articles of merger and consolidation, under certain circumstances;
- transfers from cooperative housing corporations on termination;
- transfers from certain entities to limited liability companies;
- certain transfers to land trusts; and
- transfers involving certain Maryland Stadium Authority affiliates.

Of the charter and commission counties that impose a transfer tax, some incorporate the exemptions applicable to code counties, while other counties' exemptions are independently defined. Some State mandated exemptions are applicable to all counties, including transfers between spouses and former spouses pursuant to a property settlement or divorce decree. All counties are authorized to exempt a portion of the consideration payable on owner-occupied residential property. Counties may also provide an exemption for first-time home buyers. Certain rate limitations apply to the imposition of a local property transfer tax on agricultural land, as set forth in the Annotated Code.

Administration of Tax

Generally, transfer tax revenues are collected within each county by the clerk of the court or the director of finance. Local transfer taxes on transactions involving articles of transfer, articles of consolidation, or articles of merger are collected by the State Department of Assessments and Taxation and remitted to the Comptroller. The Comptroller deducts the department's administrative costs associated with collecting the tax and distributes the remainder to the subdivision, based upon the actual collections in the subdivision.

Legal Reference

Tax-Property Article, Sections 13-401 through 13-410

Recordation Tax

Tax Base

The recordation tax base is composed of the following:

- instruments conveying title – the actual consideration paid;
- articles of transfer – the actual consideration paid for the real property; and
- mortgages, deeds of trust, and financing statements – the principal amount of the debt secured under the instrument.

Tax Rate Setting Authority

The counties and Baltimore City are authorized to set their own recordation tax rates which are expressed as an amount per \$500 of the consideration payable or principal amount of the debt secured. Although the counties have broad authority to set their recordation tax rates, some State-mandated rates exist. Articles of transfer, articles of merger, and articles of consolidation filed with the State Department of Assessments and Taxation, for example, are taxed at \$1.65 per \$500. Recordation tax rates in the counties for fiscal 2007 are presented in Exhibit 8.14, along with the tax rates and revenues collected in fiscal 2004. Local recordation tax rates have remained fairly constant from fiscal 2004 to 2007. Baltimore City increased its rate from \$2.75 to \$5.00 in fiscal 2005 and Cecil County increased its rate from \$3.30 to \$4.10 in fiscal 2006.

Exhibit 8.14 Recordation Taxes

County	County Tax Rates (per \$500 of value)		FY 2004 Revenues	Per Capita Revenues	Per Capita Ranking
	FY 2004	FY 2007			
Allegany	\$3.00	\$3.00	\$1,380,744	\$19	24
Anne Arundel	3.50	3.50	51,888,118	102	10
Baltimore City	2.75	5.00	17,965,780	29	23
Baltimore	2.50	2.50	34,923,594	45	20
Calvert	5.00	5.00	11,322,287	135	4
Caroline	5.00	5.00	2,227,225	72	15
Carroll	5.00	5.00	19,238,898	118	6
Cecil	3.30	4.10	6,524,108	70	17
Charles	5.00	5.00	18,092,994	136	3
Dorchester	5.00	5.00	2,925,039	96	11
Frederick	5.00	5.00	23,177,672	108	9
Garrett	3.50	3.50	3,540,859	118	7
Harford	3.30	3.30	16,352,205	70	16
Howard	2.50	2.50	21,979,966	83	13
Kent	3.30	3.30	1,649,107	84	12
Montgomery	3.45	3.45	110,810,439	121	5
Prince George's	2.20	2.20	35,233,144	42	21
Queen Anne's	3.30	3.30	5,052,104	115	8
St. Mary's	4.00	4.00	7,582,740	82	14
Somerset	3.30	3.30	739,954	29	22
Talbot	3.30	3.30	5,840,080	168	2
Washington	3.80	3.80	9,099,566	67	18
Wicomico	3.50	3.50	4,451,424	51	19
Worcester	3.30	3.30	12,622,178	254	1
Statewide			\$424,620,225	\$77	

Note: Amounts include only county revenues. Municipalities are not authorized to impose these taxes.

Source: Department of Legislative Services and Maryland Association of Counties

Tax Exemptions

The following exemptions apply to the recordation tax:

- transfers to public agencies;
- liens on vehicles and vessels;
- transfers between relatives of the immediate family involving assumed debt;
- transfers between spouses or former spouses;
- supplemental instruments without new consideration or debt;
- previously recorded instruments;
- refinancing instruments on principal residences;
- mechanic's or crop liens;
- purchase money mortgages and deeds of trust;
- assignments of mortgages or deeds of trust;
- Uniform Commercial Code security agreements, under certain circumstances;
- judgments;
- releases;
- orders of satisfaction;
- participation agreements;
- transfers of corporate property between related corporations;
- corporate, partnership, and limited liability company conveyances to certain persons on dissolution;
- land installment contracts;
- options to purchase real property;
- deeds for prior recorded contracts of sale with same parties;

- leases of seven years or less;
- articles of merger and consolidation, under certain circumstances;
- transfers from cooperative housing corporations on termination;
- transfers from certain entities to limited liability companies;
- certain transfers to land trusts;
- transfers involving certain Maryland Stadium Authority affiliates; and
- certain real property transfers from individuals to a limited liability company.

Counties are authorized to exempt a portion of the consideration payable on owner-occupied residential property and may also provide for an exemption for first-time home buyers.

Administration of Tax

In general, recordation taxes are collected by the county tax collector or the clerk of the circuit court, as designated by the county governing body. If property for which an instrument of writing is offered for recordation is located in two or more counties, the recordation tax is paid in each county based on the ratio of the value of the property in that county to the value of the property in all counties.

The Department of Assessments and Taxation collects the recordation tax on articles of transfer, merger, and consolidation. After deducting administrative costs, articles of transfer, merger, and consolidation revenues are distributed to the counties and Baltimore City in the ratio that the recordation tax collected in the subdivision in the prior fiscal year bears to the total recordation tax collected statewide in that year.

Legal Reference

Tax-Property Article, Sections 12-101 through 12-115

Agricultural Land Transfer Tax

The agricultural land transfer tax is imposed in addition to State and local transfer tax on an instrument of writing that transfers title to agricultural land. The tax funds State and local programs that help preserve farmland and woodland in Maryland. The tax

is primarily collected by the counties, with the exception of tax on instruments of writing filed with the State Department of Assessments and Taxation. The counties remit a portion of the revenue collected to the Comptroller, which primarily accrues to the State Agricultural Land Preservation Program, and the remainder is retained by the county in a special account to be used for approved agricultural land preservation programs. For further discussion of the agricultural land transfer tax, see *Maryland's Revenue Structure*, Volume III of the Legislative Handbook Series.

Legal Reference

Tax-Property Article, Title 13, Subtitle 3

Sales and Service Taxes

Tax Base

Currently, most counties and Baltimore City impose one or more local sales and service taxes. Hotel/motel rentals and utilities are typical examples of services subject to these taxes. Counties, municipal corporations, and special taxing areas are generally limited to imposing sales and use taxes on fuels, utilities, space rentals, controlled dangerous substances, and in code counties only and to a limited extent, on food and beverages in a resort area. These taxes are authorized under State law. The authorizations in some cases allow for exemptions to be granted by the counties, restrict the use of the revenue collected, set a limit on the tax rate, or require certain procedures such as a public hearing before imposing a tax.

Other types of sales and service taxes include parking space and boat slip taxes. These taxes exist in only a few jurisdictions. Anne Arundel County and Baltimore City have parking taxes, and at least Caroline, Somerset, and Wicomico counties have boat slip taxes.

Tax Rate Setting Authority

These taxes generally are a percentage of the item's selling or rental price, or in the case of fuels and utilities, a dollar amount per gallon, kilo-watt hour, etc. The tax rate may be set by statute or by the county, depending upon the type of tax and the county in which it is imposed. Typically, these taxes are collected by the vendor and remitted directly to the local governments. Exhibits 8.15 through 8.17 relate to the various sales and service taxes charged by the counties.

Legal Reference

Tax-General Article, Title 11

Public Local Laws

Article 24, Title 9

 Subtitle 3 (Hotel Rental Tax)

 Subtitle 5 (Coal Taxes)

 Subtitle 6 (Sales and Use Tax)

Exhibit 8.15
Hotel and Motel Taxes

County	County Tax Rates		FY 2004 Revenues	Per Capita Revenues	Per Capita Ranking
	FY 2004	FY 2007			
Allegany	5.0%	8.0%	\$446,228	\$6	12
Anne Arundel	7.0	7.0	11,264,733	22	4
Baltimore City	7.5	7.5	16,825,505	27	3
Baltimore	8.0	8.0	7,130,807	9	8
Calvert	5.0	5.0	528,181	6	11
Caroline ¹	-	5.0	-	-	
Carroll ¹	-	5.0	-	-	
Cecil	5.0	5.0	10,480	-	
Charles	5.0	5.0	724,633	5	13
Dorchester	5.0	5.0	208,062	7	9
Frederick ¹	-	3.0	-	-	
Garrett	4.0	5.0	869,470	29	2
Harford	None	None	None	None	
Howard	5.0	5.0	2,780,027	11	7
Kent	3.0	5.0	27,467	1	19
Montgomery	7.0	7.0	12,695,573	14	6
Prince George's	5.0	5.0	4,314,223	5	15
Queen Anne's	3.0	5.0	196,255	4	17
St. Mary's	5.0	5.0	483,360	5	14
Somerset	3.0	5.0	46,887	2	18
Talbot	3.0	4.0	644,939	19	5
Washington	6.0	6.0	669,232	5	16
Wicomico	4.0	6.0	563,337	6	10
Worcester	4.0	4.0	10,009,637	202	1
Statewide			\$70,439,036	\$13	

¹Did not impose a hotel and motel tax in fiscal 2004 but has since begun imposing a tax.

Note: Amounts include only county revenues. Municipalities are not authorized to impose these taxes.

Source: *Local Government Finances in Maryland*, Department of Legislative Services

Exhibit 8.16
Local Sales and Service Tax Rates

Fuels and Utilities		
Fiscal 2006		
<u>County</u>	<u>Item</u>	<u>Tax Rate</u>
Allegany	Coal Tax	\$0.30 per ton
Anne Arundel	Steam	\$160 per million pounds
	Natural Gas (non-residential only)	\$0.008/\$0.020 per therm
	Electricity (non-residential only)	\$0.0020/\$0.0025 per kilowatt-hour
	Fuel Oil (non-residential only)	\$0.02 per gallon
	Liquefied Petroleum	\$0.015 per gallon
	Coal	\$2 - \$4 per ton
	Telephone	8%
Baltimore City	Steam - commercial	0.001704 per pound
	Steam - residential	0.000489 per pound
	Steam - manufacturing	0.000368 per pound
	Natural Gas - commercial	0.070032 per therm
	Natural Gas - residential	0.020583 per therm
	Natural Gas - manufacturing	0.014950 per therm
	Fuel Oil - commercial	0.080038 per gallon
	Fuel Oil - residential	0.028887 per gallon
	Fuel Oil - manufacturing	0.018360 per gallon
	Electricity - commercial	0.005415 per kilowatt-hour
	Electricity - residential	0.001734 per kilowatt-hour
	Electricity - manufacturing	0.000866 per kilowatt-hour
	Liquefied Petroleum - commercial	0.09768 per gallon
	Liquefied Petroleum - residential	0.03094 per gallon
	Liquefied Petroleum - manufacturing	0.02366 per gallon
	Telephone	\$3.50/month (land and wireless lines); \$0.35/month (centrex lines)
Baltimore	Electricity (non-residential only)	0.00530 per kilowatt-hour
	Telephone	8%
Garrett	Natural Gas	7% wholesale market value
	Coal	\$0.30/ton

**Exhibit 8.16 (conituned)
Local Sales and Service Tax Rates**

**Fuels and Utilities
Fiscal 2006**

<u>County</u>	<u>Item</u>	<u>Tax Rate</u>
Montgomery	Natural Gas (residential/agricultural)	0.0428442228 per therm
	Natural Gas (nonresidential)	0.1135373730 per therm
	Electricity (residential/agricultural)	0.0047489058 per kilowatt-hour
	Electricity (nonresidential)	0.0125847830 per kilowatt-hour
	Fuel Oil (residential/agricultural)	0.05860818 - 0.064852416 per gallon
	Fuel Oil (nonresidential)	0.155311677 - 0.171858902 per gallon
	Steam (residential/agricultural)	0.0535689720 per therm
	Steam (non-residential)	0.1419577758 per therm
	Liquefied Petroleum (residential/agricultural)	0.0092568060 per pound
	Liquefied Petroleum (non-residential)	0.0245305359 per pound
	Coal (residential/agricultural)	\$11.119122 per ton
	Coal (non-residential)	\$29.4638475 per ton
	Telephone	\$2.00 per line per month
Prince George's	Natural Gas	\$0.064478 per therm
	Electricity	\$0.005123 per kilowatt-hour
	Fuel Oil	\$0.111775 per gallon
	Propane, Other Misc. Fuels	\$0.137806 per gallon
	Telecommunications	8%
St. Mary's	Natural Gas	5% of sales
	Electricity	5% of charge per kilowatt-hour
	Fuel Oil	5% of charge per gallon
	Liquefied Petroleum	5% of charge per gallon

Source: Maryland Association of Counties, Public Local Laws, Local Ordinances

Exhibit 8.17
Local Sales and Service Tax Rates

<u>County</u>	<u>Item</u>	<u>Fiscal 2006 Tax Rate</u>
Anne Arundel	Parking Lots	\$0.60 per day
Baltimore City	Parking Lots	12% of fee for hourly, daily, or weekly parking; \$15 per month for monthly parking
Caroline	Boat Slips	\$250-\$300 per year
Somerset	Boat Slips	\$100 per quarter
Wicomico	Boat Slips	Not available
Worcester	Food Tax	1% (Applicable in Ocean City only)

Source: Maryland Association of Counties, Department of Legislative Services

Admissions and Amusement Tax

Tax Base

The counties and municipal corporations are authorized to tax the gross receipts derived from:

- the charge for admission to any place furnishing a performance such as a movie theater or sports stadium;
- the use or rental of sporting or recreational facilities;
- the merchandise, refreshments, or services sold or served in connection with entertainment at a nightclub or a room in a hotel, restaurant, hall, or other place where dancing privileges, music, or other entertainment is provided;
- use of a game of entertainment; and
- use or rental of recreational or sports equipment.

Counties and municipal corporations may also impose a tax on admission for a reduced charge or at no charge to a place that otherwise charges admission. An admissions and amusement tax may not be imposed in a municipal corporation by a county if the municipal corporation already imposes a similar tax or specifically exempts any gross receipts from the admissions and amusement tax.

Special Allowances

The Maryland Stadium Authority is authorized to impose a tax on the gross receipts derived from the admissions and amusements in a facility owned or leased by the stadium authority. The stadium authority also may impose an additional tax for each person provided with a free admission or an admission at a reduced charge to a stadium authority facility. The stadium authority began collecting these taxes in 1992, when the Baltimore Orioles began playing at the Camden Yards stadium. Currently, these taxes are imposed at both stadiums at Camden Yards (Orioles and Ravens).

Tax Rate Setting Authority

Each unit of local government sets its own single tax rate or range of rates. This rate is expressed as a percentage of gross receipts, up to a maximum rate of 10 percent. The stadium authority may impose an admissions and amusement tax at its facilities of up to 8 percent.

In those instances where gross receipts are subject to both a local and a stadium authority admissions and amusement tax, the stadium authority tax takes precedence. The stadium authority imposes the maximum 8 percent rate at both stadiums at Camden Yards. Therefore, Baltimore City may only impose a maximum 2 percent admissions and amusement tax on those receipts.

The local admissions and amusement tax is further limited by the State sales and use tax. The maximum tax rate on the gross receipts subject to admissions and amusement tax may not exceed 10 percent. If the 5 percent State sales and use tax also applies to these receipts, the local admissions and amusement tax may not exceed 5 percent. This limitation on the local tax arises primarily on performances accompanied by some type of food service (dinner theaters, etc.).

Every local unit and the stadium authority are authorized to classify different types of activities, and the rate of tax need not be the same for each type. If a municipal government does not levy a tax, the county tax, if any, applies within the municipal corporation. All counties (with the exception of Caroline County), Baltimore City, and most municipal corporations impose an admissions and amusement tax. Fiscal 2007 tax

rates levied in Maryland counties are shown in Exhibit 8.18, along with tax rates and revenues collected in fiscal 2004. Admissions and amusement tax rates have remained relatively constant in recent years.

Tax Exemptions

The following are exempt from the admissions and amusement tax in all counties and municipal corporations:

- merchandise, refreshments, or a service sold or served at places where dancing is prohibited and the only entertainment is mechanical music, radio, or television;
- merchandise, refreshments, or a service from which the gross receipts are used exclusively for a charitable, religious, or educational purpose; a volunteer fire company or nonprofit rescue squad; or a fraternal, service, or veterans' organization;
- merchandise, refreshments, or a service from which the gross receipts are used exclusively for improvement, maintenance, or operation of an agricultural fair if no net earnings inure to the benefit of any stockholder or member of the association that conducts the fair;
- concerts and theatrical events of nonprofit groups organized to present annual series of musical concerts and nonprofit cultural organizations that receive direct appropriations of State funds through the Maryland State Arts Council;
- admission to live boxing or wrestling matches;
- the use of bowling alleys; and
- admission to, or use of, charter fishing boats.

Exhibit 8.18
Admissions and Amusement Taxes

County	County Tax Rates		FY 2004 Revenues	Per Capita Revenues	Per Capita Ranking
	FY 2004	FY 2007			
Allegany	7.5%	7.5%	\$173,656	\$2	16
Anne Arundel	10.0	10.0	6,786,909	13	2
Baltimore City	10.0	10.0	7,906,266	13	3
Baltimore	10.0	10.0	6,834,300	9	6
Calvert	10.0	1.0	198,063	2	17
Caroline ¹	-	-	-	-	
Carroll	10.0	10.0	428,625	3	14
Cecil	6.0	6.0	286,963	3	12
Charles	10.0	10.0	699,243	5	8
Dorchester	0.5	0.5	2,157	0	23
Frederick	5.0	5.0	872,100	4	9
Garrett	4.5	4.5	419,893	14	1
Harford	5.0	5.0	432,411	2	18
Howard	7.5	7.5	1,579,558	6	7
Kent	4.5	4.5	19,974	1	20
Montgomery	7.0	7.0	2,675,964	3	13
Prince George's	10.0	10.0	10,498,438	13	4
Queen Anne's	5.0	5.0	147,548	3	10
St. Mary's	2.0	2.0	84,705	1	21
Somerset	4.0	4.0	17,888	1	22
Talbot	5.0	5.0	46,539	1	19
Washington	5.0	5.0	336,520	2	15
Wicomico	6.0	6.0	275,975	3	11
Worcester	3.0	3.0	553,500	11	5
Statewide			\$41,277,195	\$7	

¹Caroline County does not impose an admissions and amusement tax.

Note: Amounts only include county revenues. Some counties have separate rates for certain types of admissions and amusement.

Source: Department of Legislative Services and Comptroller of the Treasury

Some additional exemptions specific to certain counties are set out under State law. For example, Calvert County may not charge an admissions and amusement tax on any activity that is also subject to the State sales and use tax. Counties and municipal corporation are also given authorization to grant exemptions in a few additional situations.

Administration of Tax

Admissions and amusement taxes, as determined by State reports received from vendors, are collected by the Comptroller's Revenue Administration Division. After deducting administrative costs, net revenues are remitted quarterly to the appropriate jurisdiction on the basis of place of collection (*e.g.*, county, municipal corporation, or the Maryland Stadium Authority).

If the Maryland Stadium Authority and a local government both tax a reduced charge or free admission, 80 percent of the revenue is distributed to the stadium authority and 20 percent to the local governing body in which the facility is located. If the local government does not impose this modified tax, all revenue is distributed to the stadium authority.

Legal Reference

Tax-General Article, Title 2, Sections 2-201 through 2-203, and Title 4

Service Charges

Service charges are revenues collected by local governments in return for certain services. They are the fourth largest source of local revenue for counties, accounting for 11.5 percent of total county revenues in fiscal 2004 and 17.5 percent of county own-source revenues. Service charges are the largest revenue source for municipal corporations, comprising 33.1 percent of total municipal revenues in fiscal 2004 and 39.5 percent of municipal own-source revenues. Service charges supporting various governmental functions include the following:

- general government – court costs, zoning and subdivision fees, sheriff fees, sales of maps and publications, and developer impact fees;
- public safety – special police and fire services and correction and protective inspection fees;

- highways and streets – special assessments, street repairs, public parking facilities, and street lighting charges;
- water, sanitation, and waste removal – water connection and service, sewerage collection and disposal, waste collection and disposal, and street cleaning;
- health – vital statistics (copies of birth certificates, death certificates, etc.), health inspection, hospital and clinic fees, and animal control and shelter fees;
- social services – fees from senior citizen centers, etc.;
- education – tuition and fees charged by community colleges and activities fees (for interscholastic athletic programs, etc.);
- recreation – golf, swimming pool, playground, concessions, and rental fees;
- library – fees and fines; and
- other services – power service, net income from liquor dispensaries, airport service, and transit services.

In fiscal 2004, local governments collected \$2.4 billion in service charges as shown in Exhibit 8.19. The counties collected approximately 88 percent of the service charges, with the municipal corporations accounting for the remainder.

911 Emergency Communication System Fee

All counties in Maryland are required to have an operational enhanced 911 system that provides automatic number and location identification. Each subscriber to a 911-accessible telephone or wireless service pays a 25 cent per month 911 fee under State law to help pay for 911 system enhancements. Each county may, by ordinance or resolution enacted or adopted after a public hearing, impose an additional monthly charge not to exceed 75 cents to supplement county spending for 911 maintenance and operations. The statewide fee and additional county charges are collected by the telephone companies and other 911 service carriers and remitted to the Comptroller. The money is held in the 911 Trust Fund, which includes separate accounts for each county and is disbursed in accordance with the State budget. The fiscal 2007 local monthly 911 fees for each county are presented in Exhibit 8.20, along with fees and revenues collected in fiscal 2004.

Exhibit 8.19
Service Charges Revenues – Fiscal 2004

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$39,045,451	\$7,669,503	\$46,714,954	\$634	3
Anne Arundel	182,430,909	16,800,844	199,231,753	393	11
Baltimore City	343,969,071	0	343,969,071	547	4
Baltimore	214,368,919	0	214,368,919	276	18
Calvert	28,722,215	2,708,675	31,430,890	374	12
Caroline	3,477,595	3,244,764	6,722,359	218	24
Carroll	30,310,023	14,065,892	44,375,915	272	19
Cecil	13,444,979	10,156,458	23,601,437	254	21
Charles	41,459,993	4,840,179	46,300,172	348	13
Dorchester	6,375,984	7,282,104	13,658,088	446	10
Frederick	86,310,169	26,122,686	112,432,855	526	6
Garrett	6,120,760	1,631,736	7,752,496	258	20
Harford	58,182,850	10,156,109	68,338,959	294	16
Howard	87,798,279	0	87,798,279	332	14
Kent	2,352,612	2,188,162	4,540,774	231	22
Montgomery	469,036,186	26,690,387	495,726,573	539	5
Prince George's	366,214,714	9,164,113	375,378,827	448	9
Queen Anne's	13,565,206	277,622	13,842,828	314	15
St. Mary's	25,556,646	1,204,653	26,761,299	289	17
Somerset	4,336,615	1,283,252	5,619,867	221	23
Talbot	7,068,322	41,129,730	48,198,052	1,390	1
Washington	27,217,711	42,324,483	69,542,194	508	7
Wicomico	26,771,801	14,494,793	41,266,594	472	8
Worcester	17,279,390	36,941,450	54,220,840	1,093	2
Statewide	\$2,101,416,400	\$280,377,595	\$2,381,793,995	\$432	

Source: *Local Government Finances in Maryland*, Department of Legislative Services

Exhibit 8.20
911 Emergency Communications System Fees

County	Monthly Local Fee		FY 2004 Revenues	Per Capita Revenues	Per Capita Ranking
	FY 2004	FY 2007			
Allegany	\$0.75	\$0.75	\$395,714	\$5	15
Anne Arundel	0.50	0.75	3,219,991	6	3
Baltimore City	0.47	0.75	2,079,114	3	22
Baltimore	0.50	0.75	4,409,686	6	11
Calvert	0.50	0.75	395,331	5	20
Caroline	0.50	0.75	134,875	4	21
Carroll	0.50	0.75	887,552	5	13
Cecil	0.75	0.75	542,927	6	7
Charles	0.75	0.75	786,148	6	5
Dorchester	0.75	0.75	154,476	5	18
Frederick	0.50	0.75	1,161,341	5	14
Garrett	0.75	0.75	174,824	6	9
Harford	0.50	0.75	1,217,756	5	17
Howard	0.50	0.65	1,560,000	6	6
Kent	0.50	0.75	104,525	5	16
Montgomery	0.75	0.75	4,517,380	5	19
Prince George's	0.50	0.75	7,779,917	9	2
Queen Anne's	0.75	0.75	256,008	6	10
St. Mary's	0.50	0.75	274,710	3	24
Somerset	0.50	0.75	80,400	3	23
Talbot	0.50	0.75	209,443	6	4
Washington	0.75	0.75	774,869	6	12
Wicomico	0.75	0.75	509,508	6	8
Worcester	0.75	0.75	582,386	12	1
Statewide			\$32,208,881	\$6	

Note: Amounts only include county revenues.

Source: Department of Legislative Services and Maryland Association of Counties

Legal Reference

Public Safety Article, Title 1, Subtitle 3

Impact Fees and Development Excise Taxes

Tax Base

Impact fees and development excise taxes are charges on new development used to fund capital programs and services necessitated by new growth. An impact fee involves a more complex process that requires a jurisdiction to justify the fee amount in relation to the potential impact that the new development would have on the jurisdiction. Before imposing an impact fee, a jurisdiction must conduct a study that measures the impact that the new development will have on various public services. In addition, there must be a nexus between the impact of the new development and the fee amount; there also must be a geographic nexus between where the fee is collected and where the funds are spent. A jurisdiction cannot collect the impact fee in one part of the county and spend the funds elsewhere.

A development excise tax is a more straightforward approach in financing capital projects resulting from new development. A jurisdiction can set the tax amount at any reasonable level, and there does not have to be a geographic nexus between where the fee is collected and where it is spent. The development excise tax can be imposed on activities and in amounts authorized by the General Assembly.

Local governments must obtain authority from the General Assembly before imposing a development impact fee or excise tax. Code home rule counties are authorized as a group to impose impact fees or excise taxes and a number of other counties have specific authorizations from the General Assembly. Sixteen counties imposed development impact fees or excise taxes in fiscal 2006, resulting in the collection of approximately \$100 million. The primary services funded by these charges include public school construction, transportation, parks and recreation, and water/sewer utilities.

Tax Rate Setting Authority

Impact fees and development excise taxes are often assessed according to a rate schedule that varies from county to county. Rates are generally distinguished by the type of development and in some counties by defined districts or “subareas.” Counties generally set the fees/rates and create exemptions; however, in some instances the

General Assembly has imposed a cap on the impact fees or tax rate. Credits are also available in some counties for aspects of a development that reduce strain on public facilities such as providing additional transportation capacity. While these charges are imposed generally throughout a subdivision, local governments also have chosen to target the fees or taxes at high growth areas.

Administration of Tax

Impact fees and development excise taxes are collected by each county and are often required to be paid before a building permit is issued. Municipal corporations may assist counties in the collection of impact fees within their jurisdictions. Exhibit 8.21 shows the counties that have impact fees or development excise taxes, the corresponding legislative authority, fiscal 2006 rates, and fiscal 2005 estimated revenues.

Legal Reference

Article 23A, Section 8C
Article 24, Title 9
Articles 25 and 25B
Public Local Laws

Licenses and Permits

In fiscal 2004, counties and municipal corporations collected \$192.5 million from licenses and permits. Exhibit 8.22 shows the total fiscal 2004 license and permit fee revenues collected by the subdivisions. Types of license and permit revenues include the following:

- street privileges and permits – revenues derived from the private use of public streets and highways, such as parking permits;
- beer, wine, and liquor licenses – revenues from the various classes of beer, wine, and liquor licenses issued by the clerks of the circuit court or local boards of license commissioners;
- amusement – revenues from licensing of various amusement places, events, and devices such as bingo games, arcades, carnivals, billiard tables, juke boxes, and coin-operated amusement devices;

Exhibit 8.21
Maryland Counties with Impact Fees and Development Excise Taxes

<u>County</u>	<u>Legislative Reference</u>	<u>Type</u>	<u>FY 2006 Rate Per Dwelling¹</u>	<u>FY 2005 Estimated Revenues</u>
Anne Arundel	Ch. 350 of 1986	Impact Fee	\$4,617	\$9,398,600
Calvert	Ch. 232 of 2001	Excise Tax	12,950	6,021,600
Caroline	Ch. 538 of 2004	Excise Tax	4,486	398,300
Carroll	Ch. 108 of 1987	Impact Fee	6,836	3,403,200
Charles	Ch. 586 of 2002	Excise Tax	10,247	1,181,500
Dorchester	Ch. 401 of 2004	Excise Tax	3,671	846,200
Frederick ²	Ch. 468 of 1990 Ch. 690 of 2001	Both	10,487	14,600,700
Harford	Ch. 389 of 2004	Impact Fee	6,000	N/A
Howard ³	Ch. 285 of 1992 Ch. 420 of 2004	Excise Tax	See note	12,807,800
Montgomery ⁴	Ch. 808 of 1963 Ch. 707 of 1990	Excise Tax	16,250	16,166,100
Prince George's	Ch. 597 of 1990 Ch. 431 of 2003 Ch. 594 of 2005	Excise Tax	12,706	26,721,400
Queen Anne's	Ch. 410 of 1988	Impact Fee	6,363	1,511,500
St. Mary's	Ch. 814 of 1974	Impact Fee	4,500	3,513,500
Talbot	Ch. 48 of 2003	Impact Fee	5,152	758,900
Washington	Ch. 598 of 2005	Excise Tax	13,000	3,546,200
Wicomico	Ch. 399 of 1992	Impact Fee	5,231	N/A ⁵
Total				\$100,875,500

¹The rates shown are for single-family detached dwellings. Rates may vary for other types of housing units and nonresidential development.

²Rate per dwelling shown represents school/library impact fees. The roads excise tax ranges from \$0.10/sq.ft to \$0.25/sq.ft.

³Roads tax is \$0.80/sq.ft. School surcharge is \$1.03/sq.ft.

⁴Excise tax represents \$8,250 for transportation and \$8,000 for schools.

⁵Wicomico County's impact fee has only been in effect since June 5, 2006.

Source: Department of Legislative Services

Exhibit 8.22
License and Permit Revenues
Fiscal 2004

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$606,228	\$178,431	\$784,659	\$11	21
Anne Arundel	19,964,365	1,909,631	21,873,996	43	3
Baltimore City	26,818,730	0	26,818,730	43	4
Baltimore	14,773,482	0	14,773,482	19	15
Calvert	788,065	35,924	823,989	10	22
Caroline	370,995	204,848	575,843	19	17
Carroll	3,175,909	931,132	4,107,041	25	11
Cecil	2,123,914	596,080	2,719,994	29	9
Charles	713,226	485,423	1,198,649	9	24
Dorchester	474,752	404,117	878,869	29	10
Frederick	3,200,340	1,595,723	4,796,063	22	13
Garrett	183,995	92,980	276,975	9	23
Harford	3,405,141	980,985	4,386,126	19	16
Howard	10,461,077	0	10,461,077	40	5
Kent	306,419	178,017	484,436	25	12
Montgomery	44,843,499	5,467,901	50,311,400	55	2
Prince George's	27,624,340	3,649,660	31,274,000	37	6
Queen Anne's	647,633	36,971	684,604	16	19
St. Mary's	1,604,784	48,648	1,653,432	18	18
Somerset	133,253	207,846	341,099	13	20
Talbot	657,060	588,871	1,245,931	36	7
Washington	1,439,819	1,374,961	2,814,780	21	14
Wicomico	1,171,888	1,461,055	2,632,943	30	8
Worcester	2,173,730	4,378,121	6,551,851	132	1
Statewide	\$167,662,644	\$24,807,325	\$192,469,969	\$35	

Source: *Local Government Finances in Maryland*, Department of Legislative Services

- traders – revenues from licensing individuals or corporations who barter, offer for sale, or sell any goods or merchandise in the State;
- occupational – revenues from licensing of persons or business organizations that engage in specialized trades or occupations such as bondsmen, electricians, peddlers and transient vendors, plumbers, taxicabs, and towing companies;
- animal – revenues from the licensing of animals, commercial kennels, pet shops, and petting zoos;
- building and equipment – revenues from licenses and permits issued in connection with building construction and equipment, such as plan examination fees, building permit and inspection fees, soil test fees, electrical permit and inspection fees, and plumbing permits;
- marriage – local government’s share of revenues from the sale of marriage licenses; and
- cable television – revenues from the licensing and franchising of cable television operators, such as application fees, renewal fees, and franchise fees.

A summary of the major types of licenses follows.

Alcoholic Beverage Licenses

The General Assembly provides for a myriad of beer, wine, and liquor licenses, with requirements and fees established in statute. Licenses for the sale of alcoholic beverages generally are issued either by the clerk of the circuit court or the local board of license commissioners. Manufacturer’s (wineries, distilleries, etc.) and wholesaler’s licenses are issued by the State Comptroller.

License fees from alcoholic beverage sales licenses are used for the general purposes of the county, although State law provides in a number of counties that the salaries and expenses of the Board of License Commissioners first be paid. In some cases, a portion of the fees are remitted to the municipal corporation in which the respective business that paid the fee is located.

Legal Reference

Article 2B

Building Permits

Statute generally authorizes all counties and Baltimore City to regulate the construction of buildings, including the issuance of building permits. Municipal corporations are also authorized to regulate construction of buildings and issue building permits. Builders may be required to obtain building permits from both the applicable county and municipal corporation. Fees for these permits are established by the local government. The local offices of building and planning or licensing and permits handle the administration of local building permits.

Legal Reference

Article 23A, Section 2
Article 25, Section 3(s), 3(t)
Article 25A, Section 5(T)
Article 25B, Section 13

Business Licenses

Local business licenses cover a wide spectrum, ranging from traders to dry cleaners to outdoor music festivals to fortunetellers. Fees for these licenses are set in statute or determined by the local government.

Trader's Licenses

Any individual or corporation that barter, offers for sale, or sells any goods or merchandise in the State must have a trader's license. Exempt from this requirement are (1) a grower or manufacturer; (2) a nonresident traveling salesperson, sample merchant, or manufacturing business while selling to or soliciting an offer from a licensed trader in the State; or (3) an individual who sells private goods on his or her own property no more than once annually for a period not exceeding 14 consecutive days. Exhibitors at certain shows also do not need a trader's license for a show if the individual provides an affidavit to the promoter which states that the exhibitor (1) receives less than 10 percent of his or her income from selling the types of goods on display and sold at the show; and (2) has not participated in more than three shows during the previous 365 days.

License fees are based on the value of the applicant's stock in trade. Fees are collected by the clerks of the circuit court and distributed to the jurisdiction in which they are collected.

Legal Reference

Business Regulation Article, Section 1-204 and Title 17 (various provisions)
Article 24, Title 11
Public Local Laws

Marriage Licenses

The licensing of marriages is solely a function of the counties and Baltimore City and is administered by the clerk of each circuit court. Counties determine the fees, yet maximum rates, varying from county to county are set in State law. The fees currently range from \$10 to \$65 and are largely used to fund local domestic violence programs. The clerk retains a portion of the fee and the remainder is returned to the county.

Legal Reference

Family Law Article, Section 2-404 and 2-405

Cable Television Licenses and Fees

These licenses and fees encompass a wide variety of types and forms. Examples include processing and administering fees from cable television franchise applicants that are granted or renewed a franchise and franchise fees to use public ways. State statute authorizes the counties and municipal corporations to grant cable television franchises and impose related fees or charges. Local ordinances establish the rates in each jurisdiction.

Legal Reference

Article 23A, Section 2 (b)
Article 25, Section 3C
Article 25A, Section 5(B)
Article 25B, Section 13
Public Local Laws, Local Ordinances

Fines and Forfeitures

This revenue source consists of fines and forfeitures credited to a local government. Examples include:

- court-ordered restitution and miscellaneous fines;
- sheriff revenue;
- drug forfeitures;
- gambling contraband;
- liquor board fines;
- red light camera fines; and
- parking fines.

In fiscal 2004, local governments collected \$39.4 million in fines and forfeitures (see Exhibit 8.23). Of this amount, counties collected \$32.8 million (83 percent), and municipal corporations collected \$6.5 million (17 percent).

Administration

Fines are assessed by the appropriate local agency such as the police or fire department. Payments are made in the name of the county or municipality and deposited in the appropriate fund. Forfeitures are handled by the appropriate agency, typically a public safety agency. Noncash assets are liquidated, and the proceeds are credited to the appropriate fund.

Legal Reference

Public Local Laws

Exhibit 8.23
Fine and Forfeiture Revenues – Fiscal 2004

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$2,560	\$64,810	\$67,370	\$1	24
Anne Arundel	745,951	1,296,411	2,042,362	4	12
Baltimore City	4,238,965	0	4,238,965	7	5
Baltimore	4,695,484	0	4,695,484	6	7
Calvert	168,580	2,600	171,180	2	19
Caroline	36,418	1,945	38,363	1	22
Carroll	107,578	116,075	223,653	1	21
Cecil	194,320	18,839	213,159	2	17
Charles	895,690	3,610	899,300	7	4
Dorchester	85,306	43,719	129,025	4	11
Frederick	424,633	592,927	1,017,560	5	9
Garrett	89,216	11,828	101,044	3	13
Harford	293,387	196,305	489,692	2	18
Howard	2,171,579	0	2,171,579	8	3
Kent	92,161	9,697	101,858	5	8
Montgomery	14,208,712	1,188,565	15,397,277	17	1
Prince George's	3,452,871	1,890,596	5,343,467	6	6
Queen Anne's	71,050	0	71,050	2	20
St. Mary's	286,677	0	286,677	3	14
Somerset	24,402	5,968	30,370	1	23
Talbot	22,220	74,211	96,431	3	15
Washington	225,919	144,913	370,832	3	16
Wicomico	114,006	296,472	410,478	5	10
Worcester	170,867	590,207	761,074	15	2
Statewide	\$32,818,552	\$6,549,698	\$39,368,250	\$7	

Source: *Local Government Finances in Maryland*, Department of Legislative Services

Miscellaneous Revenues

Miscellaneous revenues include amounts received from the use of money, rents and concessions, and other revenues not categorized elsewhere. They include the following:

- general operating government – interest and dividends on money; interest on past due bills; rents and concessions on buildings, equipment, facilities, and land; contributions and donations from individuals or organizations; sale of property (other than tax sale); and any other miscellaneous revenues;
- board of education – transportation fees, transfers of funds from school units in other states, and other miscellaneous education revenues;
- community college – revenue from auxiliary enterprises (bookstores, cafeterias, etc.); interest and dividends on money, scholarships, and gifts; and other miscellaneous community college revenues; and
- library – donations and contributions, interest on money, and other miscellaneous library revenues.

In fiscal 2004 local governments received \$721.9 million in miscellaneous revenues. Of this amount, counties received \$667.0 million (92 percent) and municipal corporations received \$54.9 million (8 percent). Most of the miscellaneous revenues for both the counties and municipal corporations were interest and dividends.

Administration

Miscellaneous revenues are generally collected by the appropriate local agency. These revenues are subsequently remitted to the jurisdiction's financial officer for credit to the appropriate fund. Exhibit 8.24 shows the fiscal 2004 miscellaneous revenues collected by the subdivisions.

Exhibit 8.24
Miscellaneous Revenues – Fiscal 2004

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$9,547,783	\$297,757	\$9,845,540	\$134	13
Anne Arundel	45,664,617	1,038,251	46,702,868	92	20
Baltimore City	74,881,011	0	74,881,011	119	16
Baltimore	57,863,623	0	57,863,623	74	24
Calvert	8,539,851	1,317,682	9,857,533	117	17
Caroline	3,850,375	973,892	4,824,267	156	11
Carroll	13,799,080	2,274,587	16,073,667	98	19
Cecil	7,052,443	836,710	7,889,153	85	21
Charles	18,369,395	4,522,301	22,891,696	172	8
Dorchester	3,283,164	597,825	3,880,989	127	15
Frederick	21,681,237	5,506,297	27,187,534	127	14
Garrett	5,516,118	497,117	6,013,235	200	2
Harford	41,782,734	1,497,955	43,280,689	186	5
Howard	35,710,835	0	35,710,835	135	12
Kent	3,491,344	406,815	3,898,159	198	3
Montgomery	172,820,939	8,929,080	181,750,019	198	4
Prince George's	88,568,456	2,618,057	91,186,513	109	18
Queen Anne's	7,237,399	102,562	7,339,961	166	9
St. Mary's	16,995,054	188,626	17,183,680	185	6
Somerset	1,683,426	258,144	1,941,570	76	23
Talbot	3,512,061	8,212,716	11,724,777	338	1
Washington	14,664,416	9,984,189	24,648,605	180	7
Wicomico	4,863,591	2,516,023	7,379,614	84	22
Worcester	5,579,440	2,335,190	7,914,630	160	10
Statewide	\$666,958,392	\$54,911,776	\$721,870,168	\$131	

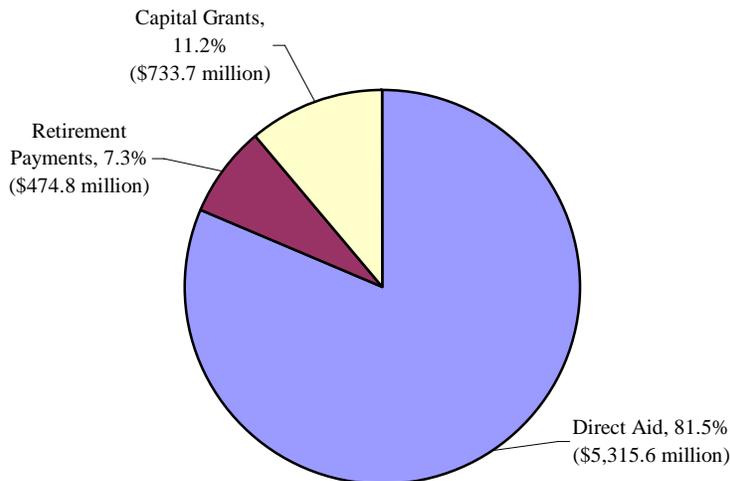
Source: *Local Government Finances in Maryland*, Department of Legislative Services

Chapter 9. State Aid Overview

State aid is a major revenue source for local governments in Maryland. This funding includes (1) direct aid to county and municipal governments, local school systems, libraries, community colleges, and local health departments; (2) 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 (3) grants for capital projects. Another aspect of State and local fiscal relationships is the State assumption of functions or responsibilities traditionally performed by local governments, which is discussed in Chapter 20.

Local governments received approximately \$6.5 billion in State financial support in fiscal 2007. Direct aid accounts for 81.5 percent of this funding and includes grants for various public services such as education, transportation, public safety, health, and recreation. Although the grants may be for specific programs or purposes, local governments usually have considerable flexibility in the use of these funds. Retirement payments account for 7.3 percent of funding, and capital grants account for 11.2 percent. Exhibit 9.1 illustrates the components of State aid in fiscal 2007.

Exhibit 9.1
Components of State Aid to Local Governments
Fiscal 2007

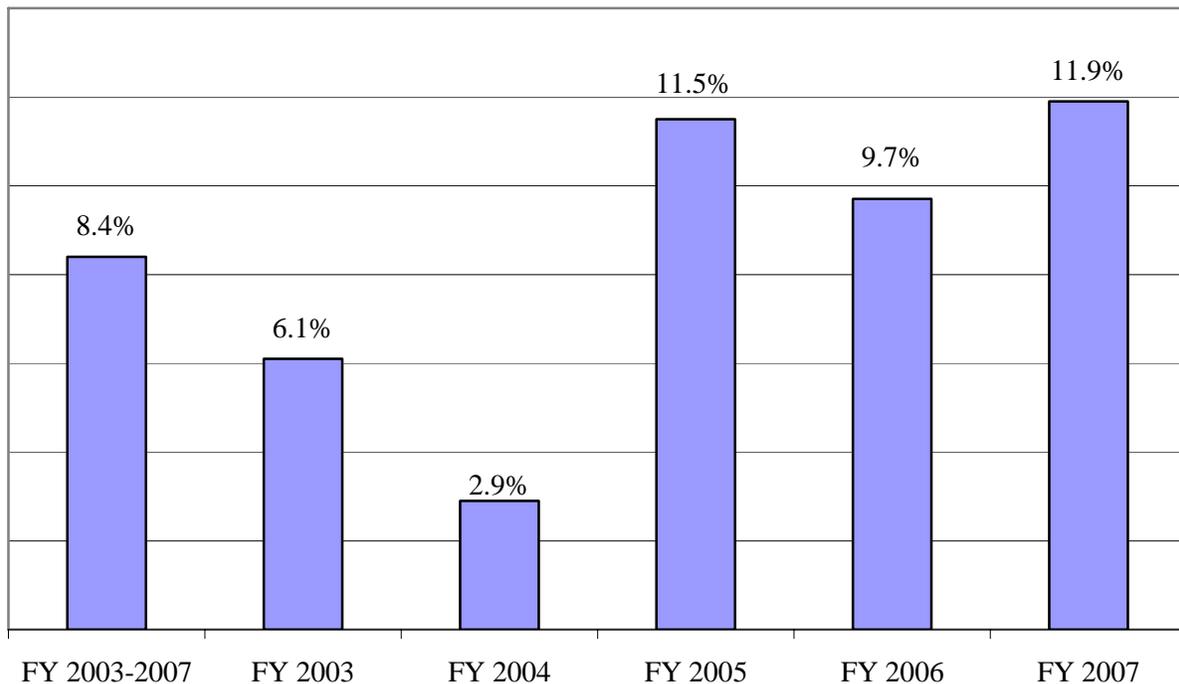


Source: Department of Legislative Services

State Aid Trends in Recent Years

State aid to local governments is one of the largest and fastest growing components of the State budget. It currently accounts for 37.7 percent of general fund expenditures and 26.7 percent of all State-funded expenditures. The 11.9 percent increase in State aid in fiscal 2007 exceeded most other State programs: 7.2 percent for entitlement programs and 8.4 percent for State agencies. In the last four years (fiscal 2003 through 2007), the State provided local governments with almost \$1.7 billion in additional State aid, with public schools receiving an additional \$1.4 billion and counties/municipalities receiving an additional \$282.4 million. Exhibit 9.2 shows the annual increase in State aid over the last five years. Exhibit 9.3 provides a summary of State aid to local governments since fiscal 2003. Exhibit 9.4 provides a county-by-county allocation for fiscal 2003 and 2007.

Exhibit 9.2
Annual Growth in State Aid to Local Governments



Source: Department of Legislative Services

Exhibit 9.3
Summary of State Aid to Local Governments
Fiscal 2003-2007
(\$ in Millions)

<u>Fiscal</u>	<u>Direct Aid</u>	<u>Retirement</u>	<u>Total Aid</u>	<u>% Difference</u>
2003	\$3,736.3	\$377.6	\$4,113.9	6.1%
2004	3,823.1	408.5	4,231.7	2.9
2005	4,287.6	429.1	4,716.7	11.5
2006	4,740.8	432.7	5,173.6	9.7
2007	5,315.6	474.8	5,790.3	11.9

Source: Department of Legislative Services

Reliance on State Aid

State aid is the largest revenue source for most county governments in Maryland, accounting for 26.5 percent of total county revenues in fiscal 2004. In five counties (Anne Arundel, Baltimore, Queen Anne's, Talbot, and Worcester), State aid is the second largest revenue source after property taxes. In Howard and Montgomery counties, State aid is the third largest revenue source after both property and income taxes.

Dependence on State aid varies, 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 15.8 percent of total revenues in Montgomery County but 49.5 percent in Caroline County. This difference is due to the fact that 65 percent of State aid is distributed inversely to local wealth. Utilizing local wealth measures to distribute State aid attempts to offset the inequalities in the revenue capacity among local jurisdictions.

State aid is the third largest revenue source for municipal corporations, representing 8.5 percent of total revenues in fiscal 2004. As with counties, the reliance on State aid varies for municipal corporations, ranging from 2.1 percent of total revenues for localities in Talbot County to 27.9 percent for localities in Garrett and Kent counties. State aid to municipal corporations is targeted primarily to highway maintenance, police and fire services, and parks and recreation. Municipal corporations receive approximately 70 percent of their State aid through four programs: highway user revenues, police and fire aid formulas, and Program Open Space.

Exhibit 9.4
State Aid to Local Governments
Direct Aid and Retirement Payments

County	FY 2003	FY 2007	Difference
Allegany	\$73,279,983	\$101,066,399	\$27,786,416
Anne Arundel	288,577,250	373,069,849	84,492,599
Baltimore City	894,363,571	1,149,053,697	254,690,126
Baltimore	431,450,589	623,757,775	192,307,186
Calvert	70,799,392	101,003,837	30,204,445
Caroline	38,116,068	50,908,443	12,792,375
Carroll	119,049,522	169,481,952	50,432,430
Cecil	76,092,024	111,776,860	35,684,836
Charles	108,539,353	168,404,700	59,865,347
Dorchester	29,821,017	39,131,195	9,310,178
Frederick	153,168,447	224,585,715	71,417,268
Garrett	33,721,458	40,088,042	6,366,584
Harford	167,640,349	245,063,241	77,422,892
Howard	158,238,010	232,340,808	74,102,798
Kent	13,651,375	16,239,601	2,588,226
Montgomery	409,049,327	570,947,923	161,898,596
Prince George's	691,048,745	990,320,616	299,271,871
Queen Anne's	29,568,388	40,275,233	10,706,845
St. Mary's	68,167,529	102,196,545	34,029,016
Somerset	24,572,811	33,668,816	9,096,005
Talbot	14,253,498	21,334,504	7,081,006
Washington	96,871,919	149,355,213	52,483,294
Wicomico	76,690,434	117,109,305	40,418,871
Worcester	21,765,037	33,207,580	11,442,543
Unallocated	25,413,977	85,954,631	60,540,654
Total	\$4,113,910,073	\$5,790,342,480	\$1,676,432,407

Source: Department of Legislative Services

State Aid Patterns

Most State aid to local governments (77.4 percent) goes to support local school systems with counties and municipal corporations receiving 17.0 percent of the aid. Public schools will receive \$4.5 billion in fiscal 2007, and county and municipal governments will receive \$986.4 million. The remaining 6 percent is distributed to local libraries, community colleges, and local health departments. These entities will receive approximately \$324.4 million in fiscal 2007. Over the last 10 years, the allocation of State aid by governmental entity has remained relatively stable, with a slight increase in the share of funding going to public schools. Exhibit 9.5 compares the allocation of State aid by governmental entity in fiscal 1997 and 2007. Exhibit 9.6 shows the allocation of State aid in fiscal 2007 by governmental entity for each county.

Exhibit 9.5
State Aid to Local Governments by Governmental Entity
(\$ in Millions)

<u>Entity</u>	<u>FY 1997</u>	<u>Percent of Total</u>	<u>FY 2007</u>	<u>Percent of Total</u>
Public Schools	\$2,202.0	75.4%	\$4,479.5	77.4%
County/Municipal	523.0	17.9	986.4	17.0
Community Colleges	120.1	4.1	205.9	3.6
Health Departments	41.0	1.4	63.1	1.1
Libraries	35.0	1.2	55.4	1.0
Total	\$2,921.2	100.0%	\$5,790.3	100.0%

Source: Department of Legislative Services

Distribution Basis for State Aid

The State utilizes approximately 70 programs to allocate funding to local governments. Programs that distribute funding inversely to local wealth account for about 65 percent of State aid in fiscal 2007. Most of these programs also base State aid on a workload measure, such as school enrollment or population. In fiscal 1997, around 55 percent of State aid was distributed based on local wealth. The increased utilization of local wealth as a basis to distribute State aid improves fiscal equity among jurisdictions by making certain jurisdictions less dependent on their own tax base to fund public services. Exhibit 9.7 shows the allocation of State aid in fiscal 2003 and 2007 by program. Exhibit 9.8 shows State aid by the basis for distribution.

Exhibit 9.6
State Assistance to Local Governments
Fiscal 2007 Legislative Appropriation
(\$ in Thousands)

County	<i>Direct State Aid</i>						Retirement	Total	Change Over FY 2003	Percent Change
	County - Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal				
Allegany	\$18,074	\$5,257	\$69,803	\$697	\$1,514	\$95,346	\$5,721	\$101,066	\$27,786	37.9%
Anne Arundel	66,406	24,431	237,303	1,844	5,320	335,304	37,766	373,070	84,493	29.3
Baltimore City	343,571	0	742,819	6,061	11,276	1,103,727	45,327	1,149,054	254,690	28.5
Baltimore	77,034	34,041	441,608	4,684	7,331	564,699	59,059	623,758	192,307	44.6
Calvert	15,758	1,473	73,310	386	636	91,563	9,440	101,004	30,204	42.7
Caroline	8,573	1,216	37,125	241	893	48,048	2,861	50,908	12,792	33.6
Carroll	20,901	6,196	125,176	886	2,070	155,228	14,254	169,482	50,432	42.4
Cecil	11,545	4,291	85,703	615	1,358	103,513	8,264	111,777	35,685	46.9
Charles	18,139	6,422	128,931	764	1,679	155,936	12,469	168,405	59,865	55.2
Dorchester	9,018	900	25,733	215	715	36,581	2,550	39,131	9,310	31.2
Frederick	27,040	6,613	168,029	1,013	2,546	205,240	19,346	224,586	71,417	46.6
Garrett	10,442	2,718	23,385	158	727	37,430	2,658	40,088	6,367	18.9
Harford	27,009	8,764	185,776	1,384	2,926	225,858	19,205	245,063	77,423	46.2
Howard	30,408	10,971	156,847	694	2,070	200,990	31,351	232,341	74,103	46.8
Kent	4,074	474	9,594	90	557	14,788	1,451	16,240	2,588	19.0
Montgomery	91,685	32,918	341,170	2,396	5,208	473,377	97,571	570,948	161,899	39.6
Prince George's	105,833	19,813	782,926	6,049	8,513	923,134	67,187	990,321	299,272	43.3
Queen Anne's	7,841	1,366	26,466	127	700	36,500	3,775	40,275	10,707	36.2
St. Mary's	11,288	2,028	78,897	571	1,359	94,142	8,054	102,197	34,029	49.9
Somerset	9,178	659	21,283	251	712	32,083	1,586	33,669	9,096	37.0
Talbot	6,710	1,267	10,301	91	551	18,919	2,415	21,335	7,081	49.7
Washington	17,965	6,176	111,583	993	2,313	139,031	10,325	149,355	52,483	54.2
Wicomico	13,062	3,878	90,087	684	1,587	109,297	7,812	117,109	40,419	52.7
Worcester	10,547	1,598	16,099	127	531	28,903	4,305	33,208	11,443	52.6
Unallocated	22,474	4,823	43,437	15,220	0	85,955	0	85,955	60,541	238.2
Total	\$984,575	\$188,294	\$4,033,391	\$46,240	\$63,092	\$5,315,591	\$474,751	\$5,790,342	\$1,676,432	40.8%

Maryland Local Gov

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

Exhibit 9.7
Total State Assistance to Local Governments

<u>Program</u>	<u>FY 2003</u>	<u>FY 2007</u>	<u>Difference</u>
Foundation Aid	\$1,764,193,721	\$2,493,221,111	\$729,027,390
Compensatory Education	141,945,669	726,652,649	584,706,980
Student Transportation – Regular	133,154,798	179,393,974	46,239,176
Student Transportation – Special	5,714,000	22,683,600	16,969,600
Special Education – Formula	81,253,346	231,829,152	150,575,806
Special Education – Nonpublic	107,674,673	116,485,735	8,811,062
Infants and Toddlers	5,199,998	5,810,782	610,784
Limited English Proficiency	34,156,350	88,834,043	54,677,693
Extended Elementary	19,262,500	19,262,500	0
Aging Schools	10,370,000	15,148,001	4,778,001
Teacher Development/Mentoring	34,288,061	7,550,000	-26,738,061
Adult Education	2,553,622	5,433,622	2,880,000
Food Service	6,264,258	7,468,669	1,204,411
Gifted and Talented Grants	6,166,101	534,829	-5,631,272
Out-of-County Placements	5,865,614	8,075,001	2,209,387
Headstart	3,000,000	3,000,000	0
School Improvement	11,833,263	11,779,600	-53,663
Guaranteed Tax Base	0	60,498,363	60,498,363
Consolidated Programs ⁽¹⁾	358,550,488	0	-358,550,488
Other Programs	31,102,137	29,729,699	-1,372,438
Total Public Schools	\$2,762,548,599	\$4,033,391,330	\$1,270,842,731
Library Formula	\$27,188,827	\$31,019,681	\$3,830,854
Library Network	12,557,844	15,219,970	2,662,126
Total Libraries	\$39,746,671	\$46,239,651	\$6,492,980
Community College Formula	\$151,657,149	\$164,829,605	\$13,172,456
Grants for ESOL Programs	2,378,411	2,499,999	121,588
Optional Retirement	7,999,886	10,012,000	2,012,114
Small College Grants	3,100,002	3,200,210	100,208
Statewide Programs	4,218,327	7,751,917	3,533,590
Total Community Colleges	\$169,353,775	\$188,293,731	\$18,939,956

Exhibit 9.7 (continued)
Total State Assistance to Local Governments

<u>Program</u>	<u>FY 2003</u>	<u>FY 2007</u>	<u>Difference</u>
Highway User Revenues	\$433,173,335	\$584,911,160	\$151,737,825
Elderly and Handicapped	4,669,684	4,315,789	-353,895
Paratransit	2,410,023	2,806,000	395,977
Total Transportation	\$440,253,042	\$592,032,949	\$151,779,907
Police Aid	\$62,144,781	\$64,861,903	\$2,717,122
Fire And Rescue Aid	10,000,000	10,000,000	0
Vehicle Theft Prevention	785,661	2,037,578	1,251,917
9-1-1 Grants	3,006,772	13,550,000	10,543,228
Community Policing	2,000,000	2,000,000	0
Foot Patrol/Drug Enforcement Grants	4,462,500	4,462,500	0
Law Enforcement Training Grants	49,729	100,000	50,271
Stop Gun Violence Grants	926,963	955,500	28,537
Violent Crime Grants	5,000,000	4,841,858	-158,142
Baltimore City State's Attorney Grant	1,000,000	1,985,000	985,000
Circuit Court Grants	191,000	0	-191,000
Domestic Violence Grants	200,000	200,000	0
War Room	0	729,982	729,982
School Vehicle Safety Grant	363,719	550,000	186,281
Body Armor	36,618	50,000	13,382
Total Public Safety	\$90,167,743	\$106,324,321	\$16,156,578
Program Open Space	\$18,761,173	\$135,649,292	\$116,888,119
Critical Area Grants	750,000	742,500	-7,500
Total Recreation/Environment	\$19,511,173	\$136,391,792	\$116,880,619
Local Health Formula	\$61,935,703	\$63,091,607	\$1,155,904
Utility Property Tax Grant	\$30,615,201	\$30,615,201	\$0
Disparity Grant	\$115,179,884	\$109,450,399	-\$5,729,485

Exhibit 9.7 (continued)
Total State Assistance to Local Governments

<u>Program</u>	<u>FY 2003</u>	<u>FY 2007</u>	<u>Difference</u>
Horse Racing Impact Aid	\$1,331,600	\$1,341,400	\$9,800
Payments in Lieu of Taxes	778,464	1,005,222	226,758
Security Interest Filing Fees	3,164,769	3,125,000	-39,769
Lead Paint Abatement Grant	250,000	0	-250,000
Senior Citizens Activities Center	475,500	500,000	24,500
Statewide Voting Systems	1,021,771	3,788,874	2,767,103
Total Other Direct Aid	\$7,022,104	\$9,760,496	\$2,738,392
Total Direct Aid	\$3,736,333,895	\$5,315,591,477	\$1,579,257,582
Retirement – Teachers	\$354,543,783	\$446,142,300	\$91,598,517
Retirement – Libraries	7,748,248	9,176,199	1,427,951
Retirement – Community Colleges	13,981,835	17,589,481	3,607,646
Retirement – Local Employees	1,302,312	1,843,023	540,711
Total Payments-in-Behalf	\$377,576,178	\$474,751,003	\$97,174,825
Total State Assistance	\$4,113,910,073	\$5,790,342,480	\$1,676,432,407

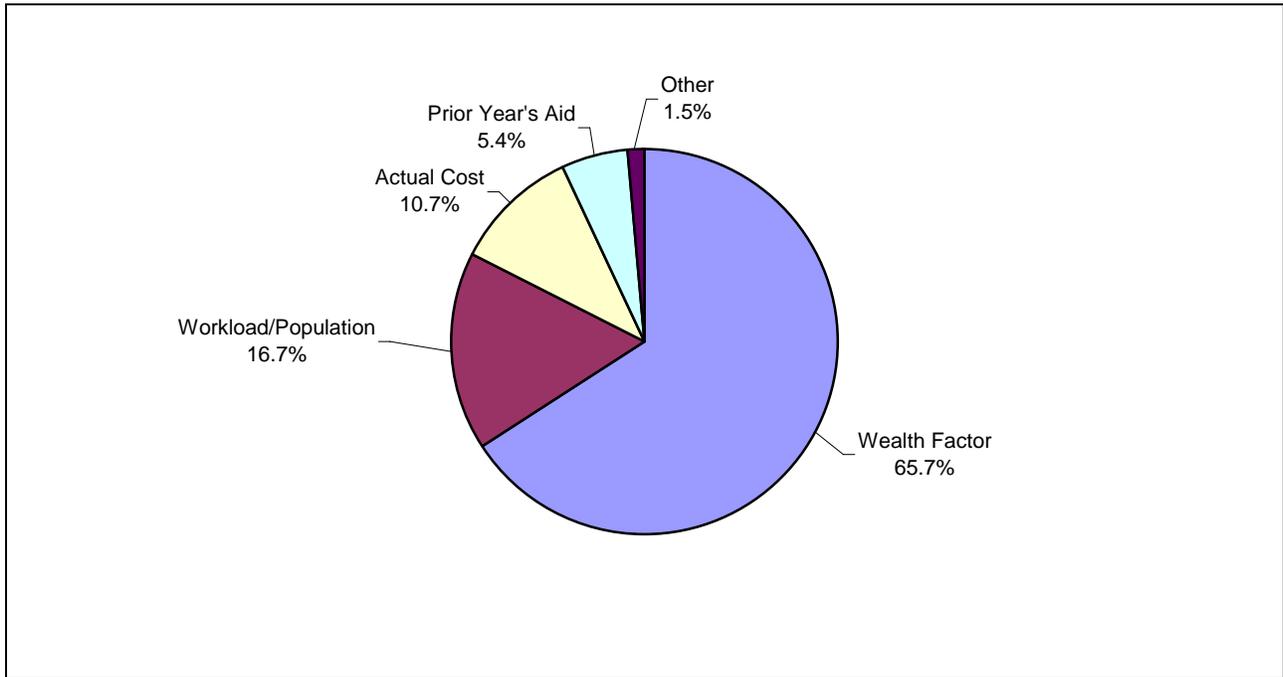
⁽¹⁾ Various programs that were consolidated by the Bridge to Excellence in Public Schools Act legislation under foundation aid and compensatory education.

Source: Department of Legislative Services

Capital Projects

The State provides grants for specific capital projects including funding for school construction, county detention centers, low-income housing, and water supply facilities. Proceeds from the sale of State bonds are the primary source of funding for these capital project grants. For fiscal 2007, the State capital and operating budgets authorized approximately \$733.7 million for State programs providing grants primarily to local governments. As Exhibit 9.9 shows, environment and recreation programs account for 45.5 percent of total capital funds earmarked for local projects in fiscal 2007, while public school construction projects account for 44.0 percent.

**Exhibit 9.8
State Aid by Basis for Distribution
Fiscal 2007**



**Trends
(\$ in Millions)**

	<u>Fiscal 1997</u>	<u>Percent of Total</u>	<u>Fiscal 2007</u>	<u>Percent of Total</u>
Wealth Factor	\$1,625.9	55.7%	\$3,804.6	65.7%
Workload/ Population	552.6	18.9	964.5	16.7
Actual Cost	542.2	18.6	621.4	10.7
Prior Year's Aid	122.0	4.2	313.5	5.4
Other	78.5	2.7	86.3	1.5
Total	\$2,921.2	100.0%	\$5,790.3	100.0%

Source: Department of Legislative Services

Exhibit 9.9
State Capital Project Grants to Local Governments
Fiscal 2007
(\$ in Millions)

	<u>Amount</u>	<u>Percent of Total</u>
Education		
Public School Construction	\$322.7	44.0%
Community College Projects	55.6	7.6
Subtotal	\$378.3	51.6%
Environment and Recreation		
Community Parks and Playgrounds	\$5.0	0.7
Chesapeake Bay Water Quality Funds	101.0	13.8
Water Quality Revolving Loan Fund	70.0	9.5
Water Improvement Fund	26.0	3.5
Water Supply Financial Assistance Program	2.5	0.3
Maryland Drinking Water Revolving Loan Fund	13.2	1.8
Shore Erosion Control	0.8	0.1
Community Energy Loan	1.5	0.2
Maryland Agricultural Land Preservation	87.1	11.9
Rural Legacy	26.1	3.6
Hazardous Substance Cleanup	0.5	0.1
Subtotal	\$333.6	45.5%
Public Safety		
Local Jail Loan	\$1.9	0.3%
Health/Social		
Community Mental Health/Addictions/Dev. Disabilities	\$7.8	1.1
Partnership Rental Housing Program	6.0	0.8
Federally Qualified Health Centers Grant Program	2.0	0.3
Senior Citizen Activity Centers	1.4	0.2
Juvenile Services Facilities Grant Program	1.1	0.2
Shelter and Transitional Housing Facilities	1.0	0.1
Gang-Related Activity Prevention Grants	0.6	0.1
Subtotal	\$19.9	2.7%
Total	\$733.7	100.0%

Source: Department of Legislative Services

Chapter 10. Education State Aid

The State and county governments share responsibility for providing education and related services in Maryland. Statewide educational policy is the responsibility of the State Board of Education, with the State Superintendent of Schools and the Maryland State Department of Education overseeing implementation of policies and providing administrative support. The 24 local boards of education, together with the local school superintendents, govern educational matters and policy making and oversee the daily operation of local school systems.

Financial support for public schools is a shared State and local responsibility. State support will total nearly \$4.5 billion in fiscal 2007, or approximately 45 percent of total revenues for public schools. Local boards of education develop and approve local school budgets and oversee education-related spending; however, they are fiscally dependent on financing from county governments, mostly through local income and property tax revenues. In fiscal 2007, local governments provide approximately 50 percent of total revenues for local school systems. The federal government also contributes a relatively small percentage of total aid for education (an estimated 5 to 6 percent in fiscal 2007).

For more detailed information on the structure and financing of Maryland's public school system, see *Government Services in Maryland*, Volume II of the Legislative Handbook Series.

Background on Maryland's School Finance System

The State's financing of public schools changed considerably in fiscal 2004 with the implementation of new funding formulas established by Chapter 288 of 2002, the Bridge to Excellence in Public Schools Act. 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 distributed to local school systems based on student enrollments (including enrollments of three student populations that are at-risk of falling behind academically) and local wealth.

The State education aid structure that was established by the Bridge to Excellence legislation is based on the concept of "adequacy" – an empirical estimate of the amount of funding that schools and school systems require in order to obtain the resources they need to reasonably expect that students can meet the State's academic performance standards. In order to estimate how much funding would constitute adequacy in Maryland, a study was conducted by a private consultant. Using the results of the

adequacy study, a model of adequacy was adopted by the Commission on Education Finance, Equity, and Excellence and was then used to develop the legislation that eventually became the Bridge to Excellence Act.¹

The adequacy model identified in the study and enacted by Chapter 288 of 2002 assumes that adequacy contains three components, each of which is addressed by separate Bridge to Excellence formulas. The first is a uniform base cost per pupil that is necessary to provide general education services to students in every school system. The majority of this need is addressed through the foundation program. The second component of adequacy involves a series of adjustments for the additional costs associated with educating at-risk student populations. Three State funding formulas provide aid based on local enrollments of special education students, students eligible for free and reduced price meals, and students with limited English proficiency. The third component of adequacy is an adjustment that accounts for differences in the local costs of educational resources. Although it had not been funded by fiscal 2007, the geographic cost of education index formula provides a framework for the allocation of additional State funds to school systems with higher resource costs.

As a result of the adjustments for at-risk student populations and cost of education differences inherent in this adequacy framework, adequate funding measured on a per pupil basis varies among the 24 local school systems. Exhibit 10.1 shows the empirically derived adequacy targets for each local school system and the amount of revenue each budgeted to receive for adequacy-related programs in fiscal 2006. The exhibit shows that seven school systems reached their funding targets in fiscal 2006. With the ultimate goal of ensuring that all school systems meet State performance standards, the aim of the State's public school financing system is to provide each school system with a roughly equivalent opportunity to reach its adequate funding objective with a combination of State, local, and federal resources. At the scheduled completion of the Bridge to Excellence phase-in in fiscal 2008, the State will be closer to achieving this goal.

¹The commission was established by Chapter 601 of 1999 and was charged with examining the State's education financing and accountability systems and making recommendations to ensure equitable and adequate funding for public schools.

Exhibit 10.1
Per Pupil Adequacy Targets and Budgeted Revenues
by Local School System
Fiscal 2006

County	Per Pupil Adequacy Target¹	Budgeted Revenues Per Pupil²	Difference³
Allegany	\$10,777	\$10,184	\$594
Anne Arundel	9,410	9,457	0
Baltimore City	13,853	12,237	1,615
Baltimore	10,325	10,162	162
Calvert	8,847	9,227	0
Caroline	10,891	8,603	2,288
Carroll	8,486	8,842	0
Cecil	9,660	9,019	642
Charles	9,310	8,923	387
Dorchester	10,974	9,607	1,367
Frederick	9,027	9,062	0
Garrett	10,200	9,185	1,015
Harford	9,235	8,912	323
Howard	8,558	10,830	0
Kent	11,042	10,849	193
Montgomery	10,170	12,000	0
Prince George's	11,676	10,115	1,561
Queen Anne's	8,928	8,644	284
St. Mary's	9,357	8,845	513
Somerset	11,717	10,628	1,089
Talbot	9,584	9,330	255
Washington	9,965	9,151	815
Wicomico	10,736	9,320	1,416
Worcester	9,634	11,535	0
Statewide	\$10,410	\$10,321	\$558

¹Adequacy does not include costs associated with capital expenditures, debt service, transportation, and food service.

²From Department of Legislative Services State aid estimates and fiscal 2006 county and school board budgets. Budgeted spending for transportation and a few other programs is not included because this funding is not associated with adequacy.

³State total difference excludes revenue in excess of targets.

Source: Department of Legislative Services

In addition to State aid programs designed to meet the instructional needs of the general student population and to target additional resources to school systems with large proportions of at-risk students, another major category of school system expenses supports functional programs such as student transportation, food service, and school construction. These functions, while essential to school system operations, were not addressed in the adequacy study. Therefore, State aid programs that support these noninstructional functions continue in tandem with the formulas that address the instructional needs of the general student population and at-risk student populations.

Impact of Bridge to Excellence in Public Schools Act

State education aid increased from \$2.9 billion in fiscal 2002, the year before the Bridge to Excellence Act, to \$4.5 billion in fiscal 2007, representing an increase of 55.2 percent in State support for public education and an average annual increase of 9.2 percent over the five years. The average annual increases will outpace the rate of general fund revenue growth, which is expected to average 6.7 percent over the same five-year period. As a result of the large increases in aid, the percentage of ongoing general fund revenues devoted to State education aid has increased from 30.8 percent in fiscal 2002 to 34.7 percent in fiscal 2007. Projections of State aid and general fund revenues suggest that this percentage could increase to nearly 37 percent in fiscal 2008, the first year that the Bridge to Excellence Act will be fully phased in. Actual and projected education aid and general fund revenues are compared in Exhibit 10.2.

Exhibit 10.2
State Education Aid and Ongoing General Fund Revenues
Fiscal 2002 to 2008
(\$ in Million)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
State Education Aid	\$2,886	\$3,117	\$3,310	\$3,625	\$4,017	\$4,480	\$4,996
Percent Increase		8.0%	6.2%	9.5%	10.8%	11.5%	11.5%
Ongoing GF Revenues	\$9,356	\$9,317	\$10,241	\$11,395	\$12,323	\$12,914	\$13,536
Percent Increase		-0.4%	9.9%	11.3%	8.2%	4.8%	4.8%
Percent of GF Revenues Devoted to Education Aid	30.8%	33.5%	32.3%	31.8%	32.6%	34.7%	36.9%

Bold = Estimates

Note: Fiscal 2008 education aid estimate does not include estimated funding for the geographic cost of education index.

Source: Department of Legislative Services

In addition to enhancing State support for public education, the Bridge to Excellence Act also modified the focus of education aid. One of the findings of the Commission on Education Finance, Equity, and Excellence was that school systems in the less wealthy areas and school systems with higher proportions of at-risk students would need the most new revenue in order to meet the funding targets identified by the commission. For this reason, the commission recommended increases in the percentages of aid going to less wealthy jurisdictions and school systems that have high enrollments of at-risk students. The Bridge to Excellence Act has succeeded in adjusting the distribution of State aid to reflect both of these recommendations.

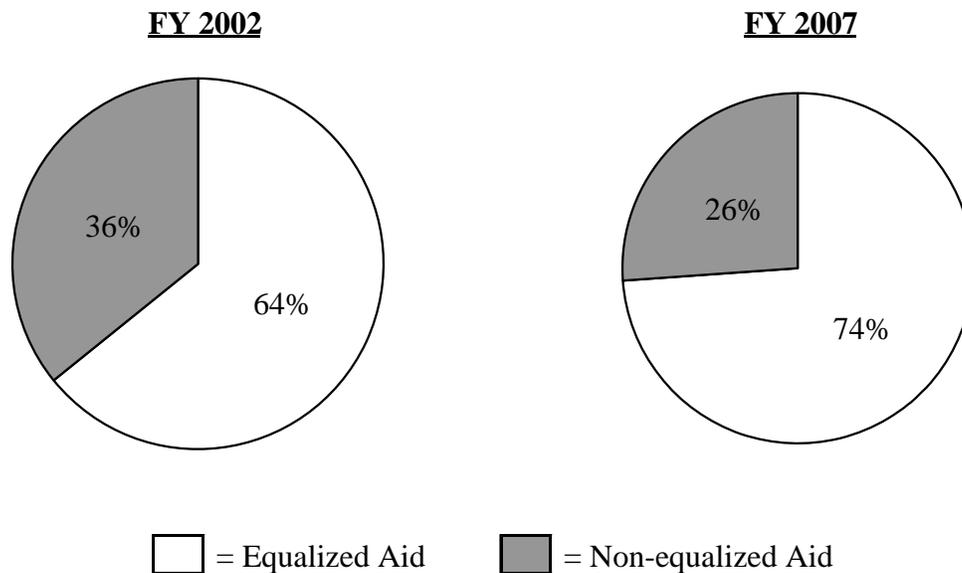
Increased Wealth Equalization

Because funding public education is a shared State and local responsibility, part of the State's constitutional responsibility to provide a "thorough and efficient system of free public schools" involves offsetting the disparities in taxable wealth between the counties. If all 24 counties made the same education tax effort (*i.e.*, contributed the same proportions of their taxable wealth to public education), local per pupil appropriations would vary due to relatively wide discrepancies in local wealth per pupil. The State aid structure compensates for these differences by providing less aid per pupil to the more wealthy jurisdictions and more aid per pupil to the less wealthy jurisdictions through a number of "wealth-equalized" funding formulas. Although most State aid formulas are designed to have the State pay roughly one-half of program costs, the State's share for the less wealthy jurisdictions is higher than 50 percent, and the State's share for more wealthy jurisdictions is lower than 50 percent.

Exhibit 10.3 compares the amount of State aid that was wealth-equalized in fiscal 2002 to the amount that was wealth-equalized in fiscal 2007. Over the five-year period, equalized aid has increased by almost \$1.5 billion (79.0 percent), while non-equalized aid has increased by \$131.4 million (12.7 percent). As a result of more rapid growth in wealth-equalized aid, the share of State aid that is equalized has climbed from 64 percent in fiscal 2002 to 74 percent in fiscal 2007.

Exhibit 10.3
Wealth Equalization of State Education Aid
Fiscal 2002 and 2007
(\$ in Millions)

Aid Category	FY 2002	FY 2007	\$ Increase	% Increase
Equalized Aid	\$1,850.5	\$3,312.7	\$1,462.2	79.0%
Non-equalized Aid	1,035.4	1,166.8	131.4	12.7%
Total	\$2,885.9	\$4,479.5	\$1,593.6	55.2%



Source: Department of Legislative Services

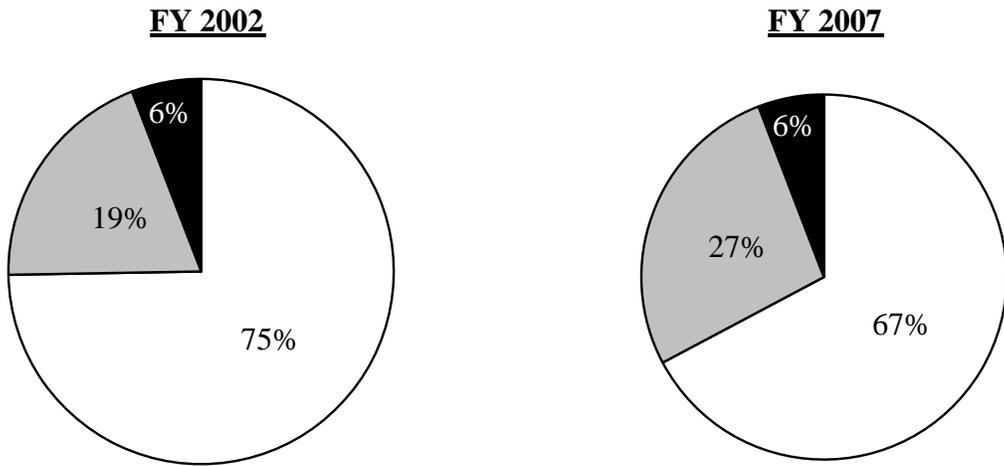
Enhanced Targeting of State Aid

One of the longstanding goals of Maryland's education financing structure has been to recognize the additional resource needs associated with serving at-risk students and to provide greater funding to school systems with large percentages of special education, economically disadvantaged, and limited English proficient students. With the completion of the adequacy study for the Commission on Education Finance, Equity, and Excellence, the State had an estimate of the costs of the additional resources for the first time. Using the estimates, the Bridge to Excellence legislation directed a significant portion of the new funds being added to the finance structure to targeted aid programs.

Exhibit 10.4 shows fiscal 2002 to 2007 State education aid increases separated into general education aid, targeted aid, and noninstructional aid categories. Although the majority of State education funding falls into the general education category (75 percent in fiscal 2002 and 67 percent in fiscal 2007), the exhibit displays the Bridge to Excellence emphasis on targeting added resources to school systems with larger proportions of at-risk students. Targeted aid more than doubled over the five-year period, increasing its proportion of State education funding from 19 to 27 percent. The smallest category of State aid, which is devoted to noninstructional programs, comprised 6 percent of aid in fiscal 2002 and 2007.

Exhibit 10.4
State Education Aid by Category
Fiscal 2002 and 2007
(\$ in Millions)

<u>Aid Category</u>	<u>FY 2002</u>	<u>FY 2007</u>	<u>\$ Increase</u>	<u>% Increase</u>
General Education Aid	\$2,158.8	\$3,012.8	\$854.0	39.6%
Targeted Aid	558.8	1,209.3	650.5	116.4
Noninstructional Aid	168.3	257.5	89.2	53.0
Total	\$2,885.9	\$4,479.5	\$1,593.6	55.2%



= General Education Aid
 = Targeted Aid
 = Noninstructional Aid

Source: Department of Legislative Services

Fiscal 2007 funding by category for each local school system is shown in Exhibit 10.5. In general, funding for the general education category is driven by total student enrollment and local wealth; State aid in the targeted category is based on local enrollments of at-risk students and local wealth; and State support for noninstructional programming is mostly a function of the number of students in each school system. The three conceptual categories of State education aid are discussed individually in the sections that follow.

Exhibit 10.5
State Education Aid by Category – Fiscal 2007
(\$ in Thousands)

County	General Education	Targeted	Noninstructional	Total
Allegany	\$48,038	\$22,253	\$4,337	\$74,627
Anne Arundel	193,790	59,548	19,177	272,515
Baltimore City	438,735	324,148	22,564	785,447
Baltimore	355,998	113,261	27,245	496,504
Calvert	65,788	11,807	4,882	82,477
Caroline	25,605	11,826	2,357	39,788
Carroll	111,543	18,582	8,487	138,612
Cecil	68,996	20,031	4,615	93,642
Charles	106,304	25,794	8,576	140,673
Dorchester	18,163	7,903	2,082	28,148
Frederick	147,825	28,473	10,204	186,502
Garrett	17,092	6,121	2,612	25,826
Harford	154,880	37,867	10,781	203,528
Howard	148,083	25,628	12,852	186,563
Kent	6,048	3,202	1,718	10,969
Montgomery	272,034	128,631	32,145	432,810
Prince George's	558,329	251,827	36,323	846,479
Queen Anne's	22,245	5,050	2,745	30,040
St. Mary's	64,708	16,483	5,435	86,626
Somerset	13,957	7,191	1,659	22,808
Talbot	7,085	4,036	1,422	12,543
Washington	86,218	28,877	6,102	121,197
Wicomico	65,433	27,535	4,597	97,565
Worcester	11,404	6,291	2,519	20,214
Unallocated	4,464	16,942	22,031	43,437
Total	\$3,012,762	\$1,209,310	\$257,469	\$4,479,540

Source: Department of Legislative Services

General Education Programs

General education State aid programs are designed to provide a minimum level of operating support for all students. Within the adequacy framework, this funding would be used to provide the basic resources needed to operate any school system, such as central administrators, principals, teachers, textbooks, and classroom equipment. The cornerstone program in general education is the foundation program. Teachers' retirement payments, which are funded almost exclusively by the State, are also discussed under general education, as is the guaranteed tax base program, which was established by the Bridge to Excellence legislation and provides an incentive for low wealth jurisdictions to support public education with local funds. Although it has not been funded yet, the geographic cost of education index is also discussed in this section and would provide additional aid to support instructional programs in school systems with above-average educational resource costs. Exhibit 10.6 shows fiscal 2007 funding for general education programs.

Foundation Program

The foundation program is the major State aid program for public schools, accounting for more than half of State education aid. A formula determines, for each school system, the State and local shares of a minimum per pupil funding level, or "foundation." For fiscal 2007, the foundation amount is \$5,959 per student. This amount is expected to increase by more than \$500 in fiscal 2008, when the target "adequate" funding level will be reached as scheduled in the Bridge to Excellence Act. After fiscal 2008, the per pupil foundation amount will increase with inflation.

The total cost of the foundation program, which equals the per pupil foundation amount times the full-time equivalent student enrollment count, is shared equally by the local governments and the State. However, as a wealth equalized formula, the State provides more aid per pupil to school systems in the less wealthy jurisdictions and less aid per pupil to school systems in the more wealthy jurisdictions.

The State has used some type of a basic current expenses approach since 1922 to equalize funding and provide a minimum level of support for school systems. With the new emphasis on adequacy under the Bridge to Excellence Act, the per pupil funding level in the foundation program is based on an estimate of the amount of funding that is needed to provide resources sufficient for the "average" student (*i.e.*, one without any supplemental needs) to meet State standards. The adequate per pupil foundation amount is adjusted each year to reflect inflationary increases.

Exhibit 10.6
State General Education Aid Programs – Fiscal 2007
(\$ in Thousands)

County	Foundation Program	Teachers' Retirement	Guaranteed Tax Base	Other General Education	Total
Allegany	\$39,625	\$4,824	\$3,553	\$36	\$48,038
Anne Arundel	158,119	35,211	0	460	193,790
Baltimore City	365,803	42,628	30,240	64	438,735
Baltimore	295,037	54,896	0	6,065	355,998
Calvert	56,585	9,168	0	35	65,788
Caroline	22,327	2,663	614	0	25,605
Carroll	98,057	13,436	0	49	111,543
Cecil	59,570	7,939	1,444	43	68,996
Charles	92,971	11,742	1,574	16	106,304
Dorchester	15,745	2,415	0	3	18,163
Frederick	129,325	18,473	0	26	147,825
Garrett	14,591	2,440	0	61	17,092
Harford	136,960	17,752	0	168	154,880
Howard	117,998	29,716	0	368	148,083
Kent	4,644	1,371	0	33	6,048
Montgomery	179,886	91,640	0	508	272,034
Prince George's	476,733	63,553	17,828	215	558,329
Queen Anne's	18,646	3,574	0	25	22,245
St. Mary's	56,782	7,729	197	0	64,708
Somerset	11,462	1,525	969	2	13,957
Talbot	4,828	2,241	0	16	7,085
Washington	75,339	9,614	1,130	136	86,218
Wicomico	54,926	7,478	2,951	78	65,433
Worcester	7,261	4,115	0	29	11,404
Unallocated	0	0	0	4,464	4,464
Total	\$2,493,221	\$446,142	\$60,498	\$12,900	\$3,012,762

Source: Department of Legislative Services

Computing State aid through the foundation program involves two steps. In the first step, a per pupil foundation level is identified. Then, through the wealth equalization formula, the State and local shares of the foundation are calculated. The determination of the foundation level and the distribution of State aid are both specified in statute.

Determining the Per Pupil Foundation Level

The Bridge to Excellence legislation required the target adequate foundation level to be phased in from fiscal 2004 to 2008. During the phase-in period, the target funding level increases with inflation and the actual funding level increases on a set implementation schedule until it reaches the full target funding level in fiscal 2008. In fiscal 2007, with one year of significant Bridge to Excellence funding increases still scheduled, the per pupil foundation amount is \$5,959, a 44 percent increase over the fiscal 2002 level of \$4,124. After fiscal 2008, the per pupil foundation amount will increase annually to reflect inflation.

Distribution

The calculation of the State and local shares of the minimum foundation for each of the 24 school systems is based on public school enrollment and county wealth. For purposes of the formula, the statute defines enrollment and wealth as follows.

Beginning in fiscal 2008, *full-time equivalent enrollment* equals the total number of students enrolled in kindergarten through grade 12 plus the number of full-time equivalent students enrolled in evening high school programs. In fiscal 2007, each kindergarten student only counts as 0.9 full-time equivalent students since the requirement that all kindergarten students attend full-day programs does not begin until fiscal 2008. Full-time equivalent enrollment is calculated using the September 30 student count from the prior fiscal year.

Wealth equals the sum of 40 percent of real property assessable base, 50 percent of personal property assessable base, and 100 percent of net taxable income. The property bases are determined as of July 1 of the previous fiscal year, and net taxable income is computed from September 1 of the second preceding calendar year.

Once full-time equivalent enrollment and wealth have been determined for each local jurisdiction and summed to produce State totals, a local contribution rate is calculated. The local contribution rate is a statewide “tax” rate representing the counties’ aggregate share of the foundation program divided by total county wealth. Specifically, the *local contribution rate* equals the overall local share of the foundation program (50 percent) multiplied by the per pupil foundation amount, multiplied by statewide full-time equivalent enrollment, and divided by total local wealth. Each county’s local share of the foundation program is calculated by multiplying the local contribution rate by the county’s wealth. The State’s share of the foundation program is calculated by subtracting the local share from the total program, where the total program equals full-time

equivalent enrollment times the per pupil foundation. The formula for State aid to a specific school system, therefore, is:

$$\text{(Per Pupil Foundation x Local Enrollment)} - \text{(Local Contribution Rate x Local Wealth)}$$

For a very wealthy school system, this calculation could result in an aid figure that is less than \$0; however, each school system is guaranteed a minimum State share. The minimum State share is 19 percent of the per pupil foundation amount in fiscal 2007 and will be reduced to 15 percent for fiscal 2008 and subsequent years. Exhibit 10.7 shows the calculation of foundation program variables, and Exhibit 10.8 shows the fiscal 2007 distribution of \$2.5 billion in State aid under the foundation program using the variables from Exhibit 10.7. The foundation program is expected to distribute approximately \$2.7 billion in fiscal 2008 as the formula phases up to the target per pupil funding level.

Special Provisions

By statute, in order for local school systems to receive increases in State foundation program aid, counties must provide the local school systems with at least the same dollars per pupil as they provided in the previous fiscal year. The State Board of Education may grant a county government experiencing fiscal problems a temporary or partial waiver of the maintenance of effort requirement. In addition, to calculate the highest prior year's local appropriation, nonrecurring costs may be excluded if they are documented and approved by the State board. This is known as the "maintenance of effort" requirement.

Also, if a child's residence is closer to a school in an adjoining county and that child attends school in the neighboring county, the county where the child resides must send the county educating the pupil an amount equal to the lesser of the "sending" or "receiving" county's local expenditures per student. If the amount paid by the "sending" county is less than the local current expense per student of the "receiving" county, the State pays the difference. The fiscal 2007 State budget includes \$75,000 for these payments.

History of Major Changes

1973 – Chapter 360 established the per pupil funding level for formula aid and provided for a phase-in to a \$610 per pupil foundation by fiscal 1978. The \$610 was subsequently raised to \$624. The foundation was shared 55 percent State/45 percent local. This 55 percent State share of the first \$624 per pupil will be phased out by fiscal 2008.

Exhibit 10.7
Calculating Foundation Program Variables
Fiscal 2007

Per Pupil Foundation Amount

(1) Target per pupil amount	\$6,335 = “Adequate” funding level
(2) Base year per pupil amount	\$4,124 = FY 2002 per pupil amount
(3) Difference	\$2,211 = Row 1 - Row 2
(4) % of difference funded	83% = FY 2007 phase-in percent (FY 2008+ = 100%)
(5) Difference funded	\$1,835 = Row 3 x Row 4
(6) Actual amount	\$5,959 = Row 2 + Row 5

Minimum State Per Pupil Foundation Amount

(7) Per pupil amount	\$5,959 = Row 6
(8) Minimum State share	19% = FY 2007 phase-in percent (FY 2008+ = 15%)
(9) Minimum amount	\$1,132 = Row 7 x Row 8

Local Contribution Rate

(10) Per pupil foundation	\$5,959 = Row 6
(11) 1st tier per pupil amount	\$624 = Historical 1st tier funding
(12) Local share of 1st tier	49% = FY 2007 phase-in percent (FY 2008+ = 50%)
(13) 2nd tier per pupil amount	\$5,335 = Row 10 - Row 11
(14) Local share of 2nd tier	50% = Constant
(15) FTE enrollment 9/30/05	827,596.00 = Actual
(16) Wealth base	\$294,135,991,849 = Actual
(17) Local contribution rate	0.0083657 = (((R11 x R12) + (R13 x R14)) x R15)/R16

Source: Department of Legislative Services

Exhibit 10.8
Foundation Program Calculation – Fiscal 2007

County	FTE	Basic Program:	Wealth	Local Share:	Formula	Min. State Aid:	Total
	Enrollment Sept 30, 2005	\$5,959 Times Enrollment	Base	0.0083657 Times Wealth	State Aid ¹	\$1,132 Times Enrollment	State Aid ²
Allegany	9,240.95	\$55,066,821	\$1,845,888,123	\$15,442,146	\$39,624,675	\$10,462,696	\$39,624,675
Anne Arundel	71,723.00	427,397,357	32,188,385,750	269,278,379	158,118,978	81,205,498	158,118,978
Baltimore City	83,250.30	496,088,538	15,573,718,273	130,285,055	365,803,483	94,256,822	365,803,483
Baltimore	102,437.25	610,423,573	37,699,941,120	315,386,397	295,037,175	115,980,479	295,037,175
Calvert	16,894.25	100,672,836	5,270,014,366	44,087,359	56,585,477	19,127,839	56,585,477
Caroline	5,277.80	31,450,410	1,090,523,578	9,122,993	22,327,417	5,975,578	22,327,417
Carroll	28,491.75	169,782,338	8,573,681,866	71,724,850	98,057,488	32,258,644	98,057,488
Cecil	15,930.00	94,926,870	4,226,467,437	35,357,359	59,569,511	18,036,105	59,569,511
Charles	25,339.05	150,995,399	6,935,972,566	58,024,266	92,971,133	28,689,126	92,971,133
Dorchester	4,407.60	26,264,888	1,257,483,749	10,519,732	15,745,157	4,990,329	15,745,157
Frederick	38,566.00	229,814,794	12,012,081,376	100,489,469	129,325,325	43,664,811	129,325,325
Garrett	4,567.00	27,214,753	1,508,975,760	12,623,639	14,591,114	5,170,803	14,591,114
Harford	39,015.00	232,490,385	11,419,293,398	95,530,383	136,960,002	44,173,173	136,960,002
Howard	47,456.45	282,792,986	19,698,837,731	164,794,567	117,998,419	53,730,667	117,998,419
Kent	2,287.10	13,628,829	1,074,016,636	8,984,901	4,643,928	2,589,477	4,643,928
Montgomery	135,266.85	806,055,159	74,849,572,606	626,169,070	179,886,090	153,150,480	179,886,090
Prince George's	126,653.70	754,729,398	33,230,444,991	277,995,934	476,733,465	143,398,586	476,733,465
Queen Anne's	7,338.50	43,730,122	2,998,491,115	25,084,477	18,645,644	8,308,723	18,645,644
St. Mary's	15,752.55	93,869,445	4,433,314,871	37,087,782	56,781,663	17,835,195	56,781,663
Somerset	2,733.50	16,288,927	576,969,172	4,826,751	11,462,175	3,094,896	11,462,175
Talbot	4,263.85	25,408,282	3,179,739,372	26,600,746	(1,192,464)	4,827,574	4,827,574
Washington	20,484.50	122,067,136	5,585,714,804	46,728,414	75,338,721	23,192,756	75,338,721
Wicomico	13,806.15	82,270,848	3,268,716,504	27,345,102	54,925,746	15,631,461	54,925,746
Worcester	6,412.90	38,214,471	5,637,746,685	47,163,697	(8,949,226)	7,260,750	7,260,750
Total	827,596.00	\$4,931,644,564	\$294,135,991,849	\$2,460,653,467	\$2,470,991,097	\$937,012,467	\$2,493,221,110

¹Formula State aid equals the basic program minus the local share.

²State aid equals the greater of formula State aid and minimum State aid.

Source: Department of Legislative Services

1978 – Chapter 420 increased the foundation from \$624 to \$690 per pupil and changed the State/local shares to a 50/50 percent split for amounts above \$624.

1980 – Chapter 531 increased the per pupil foundation amount from \$784 to \$942, established the overall funding goal of the basic current expense per pupil foundation amount to equal 75 percent of the average per pupil expenditures in recent fiscal years, phased 50 percent of the assessed value of personal property into the wealth base in 10 percent increments over a five-year period, and set an 8 percent growth cap on increases in the foundation.

1984 – Chapter 85 provided substantial increases in the per pupil foundation amounts over a five-year period, raising it to \$1,947 by fiscal 1989. By fiscal 1990, the law required the per pupil foundation amount to equal 75 percent of the average per pupil expenditures in prior years, but the annual increases in the foundation were capped by the lesser of 8 percent or the change in the consumer price index. The legislation also required the General Assembly to affirm the affordability of these increases if State aid for education exceeded 32.8 percent of general fund revenues and prescribed a maintenance of effort requirement for the counties.

1987 – Chapter 277 (APEX) required the per pupil foundation amounts to equal the lesser of \$2,550 or 75 percent of the two prior years' average per pupil expenditures by fiscal 1992. By fiscal 1993, the per pupil foundation had to equal 75 percent of the two prior years' average per pupil expenditure. The legislation also required the General Assembly to affirm the affordability of these increases in any year that State aid exceeds 31.5 percent of general funds.

1996 – Chapter 175 altered the local maintenance of effort requirement by authorizing a county to spend fewer dollars in times of decreasing enrollment and by authorizing the State board to grant a temporary or partial waiver in certain circumstances.

2002 – Chapter 288 changed the name of the current expense program to the foundation program. The previous method for determining the annual per pupil foundation amount, based on spending in prior fiscal years, was eliminated and a new method, based on reaching a target amount that reflects adequacy, was established for implementation from fiscal 2004 to 2008. The law also included an increase in the full-time equivalent enrollment count for kindergartners from 0.5 to 1.0 to acknowledge the requirement that school systems provide full-day kindergarten to all students by the 2007-2008 school year. The legislation began a

phase-down of the State's share of the historical \$624 per pupil "first tier" funding from 55 to 50 percent, and instituted a higher minimum State share of the per pupil foundation. The law also required the State to adjust its share of the foundation program in fiscal 2004 to recognize educational resource cost differences that are outside the control of the local jurisdictions. Finally, Chapter 288 required the General Assembly to affirm by joint resolution the State's ability to pay for the aid increases associated with the legislation during the 2004 legislative session and specified an alternative funding schedule that would be implemented if the joint resolution was not passed.

2004 – Chapter 6 repealed the requirement that the General Assembly pass a joint resolution to proceed with full funding for the Bridge to Excellence Act.

2005 – Chapter 444 repealed the requirement that the General Assembly affirm the State's ability to pay for scheduled aid increases in each year that education aid exceeds 31.5 percent of general funds.

Legal Reference

Education Article, Section 5-202

Teachers' Retirement

Since 1927, virtually all teachers, principals, and other public school employees have been required to be members of the State Teachers' Retirement or Pension systems as a condition of their employment. These systems are maintained and operated by the State. Eligible employees include teachers and teacher aides, principals, food service workers, staff psychologists, and registered nurses.

Distribution

Under this statutory program, the State pays on behalf of each local board of education the entire cost of pension/retirement benefits for eligible school personnel. Local school boards, however, are required to reimburse the State for retirement expenses that are accrued for personnel who are paid with federal funds. Unlike the foundation program and many of the other State aid programs, teachers' retirement payments are not wealth equalized.

To determine the funds allocated to the teachers' retirement program each fiscal year, the State Retirement and Pension System makes an estimate of the costs for the current fiscal year. This estimated lump-sum amount is included in the budget of the

Maryland State Department of Education. There is no distribution of funds to the local school boards, but each board's share of the State's retirement appropriation can be estimated based on county-by-county salary data. The fiscal 2007 allocations are shown in Exhibit 10.6.

History of Major Changes

1924 – Baltimore City established its Employees Retirement System and allowed city teachers to become members.

1927 – The State established the Teachers' Retirement System identical to the city system to provide equivalent benefits for county teachers. All costs were paid by the State, and the city was reimbursed for the costs of the teachers in its system.

1971 – Baltimore City teachers were transferred to the Teachers' Retirement System.

1980 – The Teachers' Retirement System was closed to new members, and the Teachers' Pension System was established for new members and those members of the old system who desired to transfer.

1992-1994 – Due to the fiscal crisis, the State did not make retirement payments associated with general salary increases given to teachers from fiscal 1992 to 1994. Local school boards were responsible for paying these retirement costs.

1995 – The State resumed paying 100 percent of teachers' retirement costs beginning with fiscal 1996.

1998 – Chapter 530 provided a benefit enhancement for the members of the Employees' Pension System and the Teachers' Pension System.

2002 – Chapter 288 required the State to pay retirement benefits for all teachers who are funded with State aid beginning in fiscal 2004. Previously, local school systems were required to reimburse the State for retirement costs associated with teachers who were paid with funding from many categorical State aid programs.

2006 – Chapter 110 provided a benefit enhancement for the members of the Employees' Pension System and the Teachers' Pension System and increased employee contributions to the systems to help pay for the enhancements.

Legal Reference

Education Article, Section 5-203 and State Personnel and Pensions Article, Section 21-308

Guaranteed Tax Base

The Bridge to Excellence legislation established an 80 percent guaranteed tax base program and scheduled the phase-in of the program from fiscal 2005 to 2008. The program provides additional State education aid to counties that (1) have less than 80 percent of the statewide average wealth per pupil; and (2) provide local education funding above the minimum local share required by the foundation program. The program uses local education tax effort and wealth to determine State aid amounts for each eligible school system in order to encourage less wealthy jurisdictions to maintain or increase local education tax effort.

Distribution

To determine what counties qualify for State aid under the guaranteed tax base program, wealth and full-time equivalent enrollment, as defined for the foundation program, are used to compute wealth per pupil figures for the State and for each of the 24 jurisdictions. To qualify for the program, a county must have a wealth per pupil figure that is less than 80 percent of the statewide figure. In addition, the county's local school board appropriation must be greater than the county's required local share of the foundation program.

Once qualifying counties have been identified, the distribution of State aid is determined by wealth, full-time equivalent enrollment, and local education tax effort. A county's *local effort* is calculated by subtracting the county's local share of the foundation program from the county's overall education appropriation, and dividing the difference by the county's wealth. State aid for each school system is then calculated as follows:

$$\text{Local Effort} \times (80\% \text{ of Statewide Wealth Per Pupil} - \text{Local Wealth Per Pupil}) \times \text{Local Enrollment}$$

Although no jurisdictions had reached this level through fiscal 2007, the per pupil State contribution is limited to 20 percent of the per pupil foundation amount as determined under the foundation program.

In effect, the formula provides as much State aid to a local school system as it would have received from the local government at the county's actual level of education tax effort if the county had the tax base that is "guaranteed." Thus, counties with high tax effort and low wealth receive the highest per pupil State aid amounts.

Exhibit 10.9 shows the calculation of the guaranteed tax base allocation for fiscal 2007, when 10 counties will be receiving \$60.5 million in State aid under the program. In fiscal 2008, when the program is 100 percent phased in (up from 75 percent in fiscal 2007), an estimated \$82 million will be distributed through the formula.

Legal Reference

Education Article, Section 5-210

Exhibit 10.9 Guaranteed Tax Base Program Calculation – Fiscal 2007

County	FY 2007 Wealth Base	FY 2006 Local Education Appropriation	FY 2007 Local Share of Foundation	Supplemental Education Tax Effort ¹	FTE Enrollment Sept 30, 2005	Wealth Per Pupil	Full Program ²	FY 2007 Phase-in 75% ³
Allegany	\$1,845,888,123	\$26,630,000	\$15,442,146	0.0060610	9,240.95	\$199,751	\$4,737,107	\$3,552,822
Anne Arundel	32,188,385,750	449,214,000	269,278,379	0.0055901	71,723.00	448,787	0	0
Baltimore City	15,573,718,273	207,838,945	130,285,055	0.0049798	83,250.30	187,071	40,319,819	30,239,839
Baltimore	37,699,941,120	591,733,139	315,386,397	0.0073302	102,437.25	368,030	0	0
Calvert	5,270,014,366	85,712,612	44,087,359	0.0078985	16,894.25	311,941	0	0
Caroline	1,090,523,578	11,300,000	9,122,993	0.0019963	5,277.80	206,625	818,684	614,019
Carroll	8,573,681,866	135,585,160	71,724,850	0.0074484	28,491.75	300,918	0	0
Cecil	4,226,467,437	62,229,000	35,357,359	0.0063579	15,930.00	265,315	1,925,662	1,444,214
Charles	6,935,972,566	112,217,000	58,024,266	0.0078133	25,339.05	273,727	2,098,803	1,574,125
Dorchester	1,257,483,749	15,422,902	10,519,732	0.0038992	4,407.60	285,299	0	0
Frederick	12,012,081,376	189,208,307	100,489,469	0.0073858	38,566.00	311,468	0	0
Garrett	1,508,975,760	18,800,000	12,623,639	0.0040931	4,567.00	330,409	0	0
Harford	11,419,293,398	175,414,800	95,530,383	0.0069956	39,015.00	292,690	0	0
Howard	19,698,837,731	362,590,015	164,794,567	0.0100410	47,456.45	415,093	0	0
Kent	1,074,016,636	14,275,613	8,984,901	0.0049261	2,287.10	469,598	0	0
Montgomery	74,849,572,606	1,273,230,590	626,169,070	0.0086448	135,266.85	553,347	0	0
Prince George's	33,230,444,991	562,043,003	277,995,934	0.0085478	126,653.70	262,372	23,769,796	17,827,775
Queen Anne's	2,998,491,115	38,037,413	25,084,477	0.0043198	7,338.50	408,597	0	0
St. Mary's	4,433,314,871	62,634,224	37,087,782	0.0057624	15,752.55	281,435	262,605	196,946
Somerset	576,969,172	8,547,712	4,826,751	0.0064492	2,733.50	211,073	1,291,404	968,561
Talbot	3,179,739,372	27,897,662	26,600,746	0.0004079	4,263.85	745,744	0	0
Washington	5,585,714,804	81,986,266	46,728,414	0.0063121	20,484.50	272,680	1,506,089	1,129,515
Wicomico	3,268,716,504	46,925,458	27,345,102	0.0059902	13,806.15	236,758	3,934,115	2,950,547
Worcester	5,637,746,685	54,295,516	47,163,697	0.0012650	6,412.90	879,126	0	0
Total	\$294,135,991,849	\$4,613,769,337	\$2,460,653,467	0.0073201	827,596.00	\$355,410	\$80,664,085	\$60,498,363
					Guaranteed tax base:	\$284,328		

¹Supplemental education tax effort equals the local appropriation minus the local share of the foundation, divided by local wealth.

²Full program equals guaranteed per pupil tax base minus local per pupil wealth times supplemental education tax effort times FTE enrollment.

³Beginning in fiscal 2008, 100 percent of the full program will be provided each year, up to a maximum of 20 percent of the per pupil foundation amount for the fiscal year.

Source: Department of Legislative Services

Geographic Cost of Education Index

The Bridge to Excellence Act included language that required the development of a Maryland-specific geographic cost of education index that would be available to be used to adjust State aid beginning in fiscal 2005. The Act did not, however, provide a specific formula or funding level for the cost adjustments, and as a result, language in the bill did not constitute a legal mandate for geographic cost funding. Chapter 430 of 2004 established a formula for the geographic index, but unlike the rest of the major State aid programs, the formula was not mandated. The statutory index formula phases in from fiscal 2006 to 2010 but was not funded in fiscal 2006 or 2007.

The goal of the geographic cost of education index is to recognize regional differences in the cost of educational resources and to compensate school systems where resources cost more due to factors beyond the control of local jurisdictions. For example, personnel costs might be affected by factors like the local student population, local quality of life, and local cost-of-living. Energy costs could be impacted by different local weather patterns. The Maryland-specific index that was developed as required by the Bridge to Excellence Act is shown in Exhibit 10.10. The values range from 0.948 in Garrett County to 1.048 in Prince George's County, with values above 1.000 representing above-average costs and values below 1.000 reflecting below-average costs.

Exhibit 10.10
Maryland-specific Geographic Cost of Education Index

County	GCEI Value	County	GCEI Value
Allegany	0.959	Harford	0.992
Anne Arundel	1.018	Howard	1.015
Baltimore City	1.042	Kent	1.010
Baltimore	1.008	Montgomery	1.034
Calvert	1.021	Prince George's	1.048
Caroline	1.000	Queen Anne's	1.011
Carroll	1.014	St. Mary's	1.002
Cecil	0.989	Somerset	0.973
Charles	1.020	Talbot	0.991
Dorchester	0.978	Washington	0.974
Frederick	1.024	Wicomico	0.971
Garrett	0.948	Worcester	0.959

Source: *Adjusting for Geographic Differences in the Cost of Education Provision in Maryland*

The formula crafted by the General Assembly for the index provides additional funds to local school systems with index values above 1.000 but does not decrease funding for systems with below-average costs. The formula, which provides for a 62 percent phase-in of the full funding level in fiscal 2007, would have distributed a total of \$71.4 million to 13 school systems in fiscal 2007 if it had been funded. The basic formula for the index is:

$\text{FTE Enrollment} \times \text{Per Pupil Foundation Amount} \times (\text{GCEI value} - 1.000)$
--

The calculation of the formula for fiscal 2007 is shown in Exhibit 10.11. By fiscal 2010, the fully funded formula would distribute approximately \$130 million.

Other General Education Programs

In addition to the foundation program, teachers' retirement payments, the guaranteed tax base formula, and the geographic cost of education index, the following State aid programs are providing additional State support for general education in fiscal 2007.

Out-of-county Living Arrangements (\$8.0 million in fiscal 2007)

If a child lives in a foster care home or residential facility and therefore attends school in a county other than the county in which the child's parent or legal guardian resides, the county where the child resides must send the county educating the pupil an amount equal to the lesser of the "sending" or "receiving" county's local spending per student. If the amount paid by the "sending" county is less than the local per pupil spending of the "receiving" county, the State pays the difference through this program.

Science and Math Initiatives (\$2.6 million in fiscal 2007)

State aid for this program supports a math, science, engineering, and technology academy, as well as other science and math initiatives.

Environmental Education (\$1.7 million)

Environmental education funding is used to support programs that stress informed decision-making relative to the use of Maryland's environment.

Exhibit 10.11
GCEI Formula Calculation – Fiscal 2007

County	FTE Enrollment Sept 30, 2005	Full Foundation: \$5,959 Times Enrollment	GCEI Adjustment	Full Formula ¹	FY 2007 Phase-in: 62% of Formula ²
Allegany	9,240.95	\$55,066,821	0.000	\$0	\$0
Anne Arundel	71,723.00	427,397,357	0.018	7,693,152	4,769,754
Baltimore City	83,250.30	496,088,538	0.042	20,835,719	12,918,146
Baltimore	102,437.25	610,423,573	0.008	4,883,389	3,027,701
Calvert	16,894.25	100,672,836	0.021	2,114,130	1,310,761
Caroline	5,277.80	31,450,410	0.000	0	0
Carroll	28,491.75	169,782,338	0.014	2,376,953	1,473,711
Cecil	15,930.00	94,926,870	0.000	0	0
Charles	25,339.05	150,995,399	0.020	3,019,908	1,872,343
Dorchester	4,407.60	26,264,888	0.000	0	0
Frederick	38,566.00	229,814,794	0.024	5,515,555	3,419,644
Garrett	4,567.00	27,214,753	0.000	0	0
Harford	39,015.00	232,490,385	0.000	0	0
Howard	47,456.45	282,792,986	0.015	4,241,895	2,629,975
Kent	2,287.10	13,628,829	0.010	136,288	84,499
Montgomery	135,266.85	806,055,159	0.034	27,405,875	16,991,643
Prince George's	126,653.70	754,729,398	0.048	36,227,011	22,460,747
Queen Anne's	7,338.50	43,730,122	0.011	481,031	298,239
St. Mary's	15,752.55	93,869,445	0.002	187,739	116,398
Somerset	2,733.50	16,288,927	0.000	0	0
Talbot	4,263.85	25,408,282	0.000	0	0
Washington	20,484.50	122,067,136	0.000	0	0
Wicomico	13,806.15	82,270,848	0.000	0	0
Worcester	6,412.90	38,214,471	0.000	0	0
Total	827,596.00	\$4,931,644,564	--	\$115,118,645	\$71,373,561

¹Full formula equals full foundation program times the GCEI adjustment. The formula is scheduled for full funding beginning fiscal 2010.

²The GCEI formula was not funded in fiscal 2006 or 2007.

Source: Department of Legislative Services

Targeted Funding for At-risk Students

The second major category of State aid programs provides additional funding to school systems based on their enrollments of students with special needs. Although the State supported numerous categorical programs that targeted funds to school systems with higher proportions of at-risk students prior to 2002, the adequacy concept and the Bridge to Excellence legislation altered the landscape of targeted funding considerably.

Three groups of at-risk students (special education students, students from economically disadvantaged backgrounds, and students with limited English proficiency) were identified in the adequacy study conducted for the Commission on Education Finance, Equity, and Excellence, and the additional costs of providing services to these students was estimated through the study. Instead of dollar values, the estimates were expressed as “weights” – the proportion of the general education base per pupil cost that would be needed, over and above the base cost, to reasonably assume that an at-risk student could achieve State standards. Following some empirical adjustments to the initial study results, weights of 1.17 for special education students, 1.10 for students eligible for free and reduced price meals, and 1.00 for limited English proficient students were calculated. The special needs pupil weights computed through the adequacy study were then used to establish funding formulas for each of the three special needs groups. The three formulas make up the majority of State aid for at-risk students.

By fiscal 2008, the programs will use three slightly different versions of the same funding formula. State funding levels for the programs are based on the number of at-risk students enrolled in public schools at the end of October of the prior year and the per pupil foundation amount established in the foundation program (because the weights reflect a percentage of the per pupil foundation amount). An overall State share of 50 percent will be phased in for all three programs by fiscal 2008, with more wealthy counties receiving lower State shares than less wealthy counties. Unlike the foundation program, however, local governments are not required by law to provide a local share to match the State funding. For each program, a minimum 40 percent State share of the per pupil amount will also be phased in for every school system, regardless of local wealth.

To determine the distribution of State aid through the three at-risk formulas, the following basic formula is used:

$$\frac{\text{Per at-risk pupil State aid amount} \times \text{Enrollment of at-risk students}}{\text{Local wealth per pupil} / \text{Statewide wealth per pupil}}$$

When the amounts for each school system are summed, however, the total does not equal the intended State contribution. Therefore, another step is taken to

proportionally adjust the school system allocations to bring the total back to the calculated funding level. In the final step, each jurisdiction's per pupil aid, as calculated in the previous steps, is compared to a statutory minimum State contribution. If the formula aid for a school system is less than the minimum aid, the school system receives the minimum rather than the amount computed through the formula.

In fiscal 2007, old formulas for special education and limited English proficiency are still being phased out as the new formula described above is being phased in, resulting in a hybrid approach for determining funding under these two formulas. The compensatory education formula, which provides additional funding based on the enrollment of economically disadvantaged students, did not require a transitional phase because the old formula was very similar to the new one. Fiscal 2007 funding levels for targeted aid programs – including the three at-risk formulas, State support for nonpublic special education, and other targeted programs – are shown in Exhibit 10.12.

One of the requirements of the Bridge to Excellence Act was for local school systems to develop comprehensive master plans for the coordinated use of federal, State, and local funding to ensure that all students have a realistic opportunity to reach State standards. As discussed earlier in the education aid section, a substantial portion of the new funding provided in the Act is targeted to school systems with high proportions of at-risk students. The legislation, however, did not dictate how funding distributed through the special needs formulas must be used, allowing local school systems and the State to focus more on student outcomes and less on categorical program mandates.

Special Education Programs

Since 1977, Maryland law has required that the State and each county make free educational programs available to students with disabilities who are under the age of 21. In the adequacy study conducted for Maryland, it was estimated that, in order to provide appropriate special education services, each special education student requires funding equal to 1.17 times the per pupil foundation in addition to the base per pupil funding level needed to support all students. The supplemental aid would allow school systems to provide the instructional services that special education students need in order to meet State standards. The costs for special education are supported with federal funding and two State aid programs, one for public schools and one for nonpublic schools that offer specialized services for public school students.

Exhibit 10.12
State Targeted Aid Programs – Fiscal 2007
(\$ in Thousands)

County	Special Ed Formula	Nonpublic Placements	Compensatory Education	LEP Formula ¹	Other Targeted Programs	Total
Allegany	\$4,254	\$1,057	\$16,056	\$33	\$852	\$22,253
Anne Arundel	14,550	10,079	29,656	3,003	2,259	59,548
Baltimore City	50,240	28,224	234,131	6,715	4,837	324,148
Baltimore	23,043	13,109	68,694	6,736	1,677	113,261
Calvert	4,298	1,083	5,250	375	801	11,807
Caroline	1,969	241	8,093	482	1,042	11,826
Carroll	7,245	3,466	6,923	410	539	18,582
Cecil	5,482	1,397	11,608	394	1,150	20,031
Charles	5,124	1,667	16,627	464	1,913	25,794
Dorchester	1,107	31	5,599	269	897	7,903
Frederick	9,584	1,883	12,972	2,773	1,262	28,473
Garrett	1,256	57	4,160	0	647	6,121
Harford	12,160	4,139	19,445	1,234	889	37,867
Howard	7,468	3,427	10,452	3,619	663	25,628
Kent	576	0	1,849	163	614	3,202
Montgomery	27,097	12,287	58,125	28,356	2,766	128,631
Prince George's	36,909	27,123	154,105	30,079	3,611	251,827
Queen Anne's	1,519	442	2,170	223	696	5,050
St. Mary's	4,857	1,009	8,951	343	1,322	16,483
Somerset	1,077	1	5,530	265	318	7,191
Talbot	692	0	2,358	328	658	4,036
Washington	5,730	1,649	19,407	945	1,146	28,877
Wicomico	4,528	292	20,275	1,237	1,203	27,535
Worcester	1,070	1	4,213	388	618	6,291
Unallocated	0	3,821	0	0	13,121	16,942
Total	\$231,835	\$116,486	\$726,653	\$88,834	\$45,502	\$1,209,310

¹Limited English proficiency formula.

Source: Department of Legislative Services

Most students receive special education services in the public schools. Additional resources for these students are supported by the State through a special education formula that was enhanced significantly by the Bridge to Excellence Act. If an appropriate program is not available in the public schools, however, the student is placed in a private school offering more specialized services. State support for private schools that serve special education students is provided through aid for nonpublic placements. All special education students, regardless of where they are educated, must have Individualized Education Programs that define the services the students need and outline goals for students. Individualized Education Programs must be updated annually.

Special Education Formula

Since 1976, additional State and local funding has been provided for the “excess” costs associated with educating students with special education needs. The additional aid, which was fully funded at \$100 million in 1981, was intended to be an interim measure until more reliable data on the cost of educating students with disabilities was available. The funding was split 70/30 percent between State and local governments, with the State providing \$70 million in aid annually. From fiscal 1981 to 2003, the funding served as a base “first tier” grant, and each county’s share of the \$70 million was frozen at its fiscal 1981 level.

Supplementary State funds for public special education were added in 1988, based on recommendations of the 1986 Task Force to Study the Funding of Special Education. These funds were distributed to the counties based on their proportion of the State’s special education enrollment and were wealth-equalized. These “second tier” funds increased from \$4.25 million in fiscal 1988 to \$11.25 million in fiscal 1990 and remained at that level through fiscal 2003.

The Bridge to Excellence Act, however, implemented a special education funding structure that provides State aid based on the number of special education students enrolled in each public school system. The formula calculates a per special education pupil cost to be shared by State and local governments that is 0.74 times the per pupil funding level established in the foundation program. This funding level, when coupled with federal special education funding and aid to nonpublic schools, would bring the additional aid per special education student to approximately 1.17 times the per pupil foundation amount.

Distribution: By fiscal 2008, funding for the special education formula will be based entirely on local special education enrollments and wealth, as described under the “Targeted Funding for At-risk Students” heading. In accordance with the scheduled

transition to the new formula established in the Bridge to Excellence Act, the fiscal 2007 calculation is being offset by 20 percent of the “first tier” funding that has been provided since 1981. Exhibit 10.13 shows the calculation of \$231.8 million in fiscal 2007 State aid for the special education formula. Fiscal 2008 State aid from the formula, which will no longer include “first tier” funding, is estimated at nearly \$280 million.

History of Major Changes:

1976 – Chapter 240 enacted a \$100 million State/local share program for public school special education placements.

1987 – Chapter 121 (budget bill) provided \$4.25 million in additional special education aid allocated among the counties, as recommended by the Governor’s Task Force to Study the Funding of Special Education. By fiscal 1990, this amount had increased to \$11.25 million.

2000 – Chapter 617 extended education for children with disabilities from birth through the end of the school year during which the children turn 21.

2002 – Chapter 288 established a new funding structure for special education based on special education enrollment and local wealth. The new formula will be fully phased in by fiscal 2008.

Legal Reference: Education Article, Sections 5-209 and 8-401 to 8-417

Exhibit 10.13
Special Education Formula Calculation – Fiscal 2007

County	"First Tier" Funding	Oct. 2005 Special Ed Enrollment	Program Level: \$1,900 x Enrollment	Wealth Per Pupil Factor¹	Adjusted Grant²	Minimum Grant: \$1,444 x Enrollment	Actual Formula Aid³	Total Aid⁴
Allegany	\$196,719	1,387	\$2,635,866	0.5620298	\$4,057,369	\$2,003,258	\$4,057,369	\$4,254,088
Anne Arundel	1,175,893	9,260	17,597,778	1.2627304	12,056,678	13,374,311	13,374,311	14,550,204
Baltimore City	3,974,027	14,812	28,148,843	0.5263527	46,266,235	21,393,121	46,266,235	50,240,262
Baltimore	1,136,137	13,798	26,221,830	1.0355083	21,907,352	19,928,590	21,907,352	23,043,489
Calvert	85,039	2,249	4,274,018	0.8776934	4,212,830	3,248,253	4,212,830	4,297,869
Caroline	68,213	672	1,277,074	0.5813708	1,900,393	970,576	1,900,393	1,968,606
Carroll	265,956	3,594	6,830,066	0.8466785	6,978,898	5,190,850	6,978,898	7,244,854
Cecil	185,373	2,405	4,570,481	0.7465040	5,296,759	3,473,566	5,296,759	5,482,132
Charles	333,226	2,244	4,264,516	0.7701725	4,790,294	3,241,032	4,790,294	5,123,520
Dorchester	75,210	504	957,806	0.8027321	1,032,256	727,932	1,032,256	1,107,466
Frederick	305,116	4,946	9,399,418	0.8763625	9,278,925	7,143,558	9,278,925	9,584,041
Garrett	88,902	660	1,254,269	0.9296559	1,167,210	953,245	1,167,210	1,256,112
Harford	437,096	5,872	11,159,196	0.8235278	11,722,901	8,480,989	11,722,901	12,159,997
Howard	445,937	4,862	9,239,784	1.1679272	6,844,260	7,022,236	7,022,236	7,468,173
Kent	65,067	354	672,744	1.3212853	440,488	511,286	511,286	576,353
Montgomery	1,532,682	17,700	33,637,222	1.5569258	18,691,006	25,564,288	25,564,288	27,096,970
Prince George's	2,695,895	15,362	29,194,068	0.7382235	34,212,690	22,187,491	34,212,690	36,908,585
Queen Anne's	64,103	1,007	1,913,711	1.1496497	1,440,095	1,454,420	1,454,420	1,518,523
St. Mary's	285,331	2,202	4,184,698	0.7918601	4,571,894	3,180,371	4,571,894	4,857,225
Somerset	55,683	369	701,251	0.5938859	1,021,530	532,950	1,021,530	1,077,213
Talbot	47,623	446	847,582	2.0982640	349,464	644,162	644,162	691,785
Washington	276,477	2,545	4,836,538	0.7672266	5,453,702	3,675,769	5,453,702	5,730,179
Wicomico	161,546	1,769	3,361,822	0.6661546	4,365,964	2,554,985	4,365,964	4,527,510
Worcester	43,419	711	1,351,190	2.4735545	472,580	1,026,904	1,026,904	1,070,323
Total	\$14,000,670	109,730	\$208,531,771		\$208,531,773	\$158,484,143	\$217,834,809	\$231,835,479
			Reducing Factor =	0.8651282				

¹Wealth per pupil factor equals the local wealth per pupil divided by the statewide wealth per pupil.

²The adjusted grant equals the program level divided by the wealth per pupil factor. The outcome is multiplied by the reducing factor, which brings the statewide total back to the calculated State funding level.

³Formula aid for each school system equals the greater of the adjusted grant and the minimum grant.

⁴Total aid equals "first tier" funding plus formula funding. First tier funding is eliminated after fiscal 2007.

Source: Department of Legislative Services

Nonpublic Placements

The State and local governments share in the costs of nonpublic placements for special education. For those children in nonpublic placements approved by the Maryland State Department of Education, the county contributes an amount equal to the local share of the basic cost of educating a child without disabilities plus 200 percent of the total basic cost. Any costs above this base amount are split on an 80 percent State/20 percent local basis. An example of the sharing of costs for nonpublic placement is as follows:

1. The nonpublic placement cost for a student with disabilities from County Z is \$64,000 per year.
2. The basic cost (State plus local) of educating a student without disabilities in County Z is \$10,000 per year.
3. The local share of the basic cost is \$4,000 per year.

Calculation:

County Z calculations:	\$4,000	+	2 x \$10,000	=	\$24,000
	\$64,000	-	\$24,000	=	\$40,000
	20%	x	\$40,000	=	\$8,000
County Z contributes:	\$24,000	+	\$8,000	=	\$32,000
State contributes:	\$64,000	-	\$32,000	=	\$32,000

For fiscal 2005, State contributions totaled \$86.4 million for 4,775 day placement students in nonpublic institutions. This amounted to an average of \$18,100 per student. For the State's 321 residential students, the State paid \$15.6 million, or, on average, \$48,478 per student. These payments were made at a time when the State was paying 75 percent (instead of 80 percent) of the costs above the base local contribution. The estimated distribution of fiscal 2007 State funding for nonpublic placements is shown in Exhibit 10.12 and is based on a State share of 80 percent of costs above the initial local contribution.

History of Major Changes:

1988 – The Systems Reform Initiative, an effort to restructure the human services delivery system on an interagency basis through the development of community-based resources, began in July 1988. The initiative was designed to help counties develop more specialized services that would enable students in out-of-state programs to return to the State.

1991 – Budget language began allowing flexible spending of funds appropriated for nonpublic placements on a broad range of services to assist in returning special needs out-of-state placements to Maryland.

1992 – Chapters 264 and 192 were aimed at curtailing the escalating cost of special education nonpublic placements by developing plans for returning out-of-state placements to Maryland. Chapter 2 of the first 1992 special session increased the local share of funding for nonpublic placements by decreasing the State share of funding from 100 to 80 percent of the costs exceeding the base local contribution.

2000 – Chapter 617 extended education for children with disabilities from birth through the end of the school year during which the children turn 21.

2004 and 2005 – Chapters 430 and 444, respectively, reduced from 80 percent to 75 percent the State share of nonpublic placement costs in excess of the base local contribution for fiscal 2005 and 2006 only. Chapter 430 also required local school systems to pay educational costs for students placed in Regional Institutes for Children and Adolescents; Chapter 444 repealed this requirement.

Legal Reference: Education Article, Sections 8-401 to 8-417

Programs for Students At-risk of Failing to Meet State Standards

Although it is a more subjective category of students than special education, Maryland provides supplemental funding to school systems to ensure that students receive additional support services if they are struggling to meet State standards. One of the most consistent predictors of lower test scores for schools and school systems is the proportion of economically disadvantaged students. Therefore, the adequacy study conducted for Maryland estimated the costs of providing remediation and additional educational services to struggling students using eligibility for free and reduced price meals as a proxy for the number of these students. The study estimated that schools and school systems require additional funding equal to 1.10 times the per pupil foundation amount for each student eligible for free or reduced price meals. Theoretically, the additional aid would allow school systems to provide the instructional services that struggling students need in order to meet State standards. The costs for these students are supported with federal funding and several State aid programs, most significantly the compensatory education aid formula.

Since 1998, all school systems have developed comprehensive master plans for the use of State aid that is devoted to providing services to disadvantaged student populations. The Bridge to Excellence legislation required local school systems to produce more detailed comprehensive master plans that define the strategies that will be used to improve academic performance in all student groups, including struggling and disadvantaged students.

Compensatory Education Formula

The State has distributed compensatory aid to local school boards since 1980 to fund programs for students with special educational needs resulting from educationally or economically disadvantaged environments. From 1980 to 1985, counties received \$45 in State aid for each student eligible for benefits from the federal Title I program, which provides categorical grants to help the State meet the special needs of educationally disadvantaged children in areas with high concentrations of poverty. In fiscal 1985, the compensatory aid program was substantially revised to replace the \$45 per student program with a wealth-equalized formula that provided 25 percent of the per pupil foundation amount times the number of Title I-eligible students.

The formula was further enhanced by the Bridge to Excellence Act. Since fiscal 2004, the formula has used the number of students eligible for free and reduced price meals instead of the number of Title I-eligible students, resulting in a higher student count. In addition, the formula uses a per pupil cost to be shared by State and local governments that is 0.97 times the per pupil funding level established in the foundation program. This funding level, when coupled with federal funding for impoverished student populations and other State aid programs targeting struggling or disadvantaged students, would bring the total aid per student who is eligible for free and reduced price meals to approximately 1.1 times the per pupil foundation amount.

Distribution: Funding for the compensatory education formula is based on local enrollments of students eligible for free and reduced priced meals and local wealth, as discussed under the “Targeted Funding for At-risk Students” heading. The calculation of \$726.7 million in fiscal 2007 State aid for the compensatory education formula is shown in Exhibit 10.14. Fiscal 2008 State aid from the formula is estimated at approximately \$875 million.

Exhibit 10.14
Compensatory Education Formula Calculation – Fiscal 2007

County	Oct. 2005 FRPM Enrollment	Program Level: \$2,659 x Enrollment	Wealth Per Pupil Factor¹	Adjusted Grant²	Minimum Grant: \$2,021 x Enrollment	Formula Aid³
Allegany	4,377	\$11,638,443	0.5620298	\$16,056,410	\$8,845,217	\$16,056,410
Anne Arundel	14,675	39,020,825	1.2627304	23,960,657	29,655,827	29,655,827
Baltimore City	59,773	158,936,407	0.5263527	234,131,286	120,791,669	234,131,286
Baltimore	33,993	90,387,387	1.0355083	67,681,062	68,694,414	68,694,414
Calvert	2,235	5,942,865	0.8776934	5,250,080	4,516,577	5,250,080
Caroline	2,282	6,067,838	0.5813708	8,092,704	4,611,557	8,092,704
Carroll	2,843	7,559,537	0.8466785	6,922,924	5,745,248	6,922,924
Cecil	4,203	11,175,777	0.7465040	11,608,029	8,493,591	11,608,029
Charles	6,211	16,515,049	0.7701725	16,626,651	12,551,437	16,626,651
Dorchester	2,180	5,796,620	0.8027321	5,599,086	4,405,431	5,599,086
Frederick	5,514	14,661,726	0.8763625	12,972,218	11,142,912	12,972,218
Garrett	1,876	4,988,284	0.9296559	4,160,465	3,791,096	4,160,465
Harford	7,767	20,652,453	0.8235278	19,444,926	15,695,864	19,444,926
Howard	5,172	13,752,348	1.1679272	9,130,068	10,451,784	10,451,784
Kent	915	2,432,985	1.3212853	1,427,762	1,849,069	1,849,069
Montgomery	28,763	76,480,817	1.5569258	38,088,820	58,125,421	58,125,421
Prince George's	55,179	146,720,961	0.7382235	154,105,171	111,507,930	154,105,171
Queen Anne's	1,074	2,855,766	1.1496497	1,926,061	2,170,382	2,170,382
St. Mary's	3,438	9,141,642	0.7918601	8,951,353	6,947,648	8,951,353
Somerset	1,593	4,235,787	0.5938859	5,530,240	3,219,198	5,530,240
Talbot	1,167	3,103,053	2.0982640	1,146,679	2,358,320	2,358,320
Washington	7,222	19,203,298	0.7672266	19,407,298	14,594,506	19,407,298
Wicomico	6,551	17,419,109	0.6661546	20,275,138	13,238,523	20,275,138
Worcester	2,085	5,544,015	2.4735545	1,737,864	4,213,451	4,213,451
Total	261,088	\$694,232,992	0.7753770	\$694,232,952	\$527,617,072	\$726,652,647
		Reducing Factor =	0.7753770			

¹Equals the local wealth per pupil divided by the statewide wealth per pupil.

²Equals the program level divided by the wealth per pupil factor. The outcome is multiplied by the reducing factor, which brings the statewide total back to the calculated State funding level.

³Equals the greater of the adjusted grant and the minimum grant for each school system.

Source: Department of Legislative Services

History of Major Changes:

1979 – Chapter 407 created the compensatory education program, based on \$45 per Title I eligible student.

1984 – Chapter 85 established the current compensatory aid program based on Title I eligible student counts and local wealth. This new program replaced the 1979 compensatory aid program, targeted aid, and density aid. Density aid, a compensatory program allocating funds to Baltimore City, was phased out over four years. Chapter 85 tied increases in compensatory aid to current expense funding but capped these increases beginning in fiscal 1990.

1987 – Chapter 277 repealed the fiscal 1990 cap on compensatory aid and continued to base the aid on 25 percent of the current expense formula's per pupil foundation for all subsequent years.

1994 – Chapter 606 instituted an 85 percent hold harmless for counties from the previous year's funding level.

2002 – Chapter 288 established an enhanced funding structure for compensatory education based on local enrollments of students eligible for free and reduced price meals and local wealth. The new formula will be fully phased in by fiscal 2008.

Legal Reference: Education Article, Section 5-207

Extended Elementary Education Program

Since fiscal 1980, the State has provided funds for the extended elementary education program, a public school prekindergarten program for four-year-old children identified as having a high potential for failure in school. The Bridge to Excellence Act requires all school systems to make publicly funded prekindergarten programs available to all economically disadvantaged four-year olds by the 2007-2008 school year (fiscal 2008). Funding for the program will terminate after fiscal 2007 and will be replaced by full funding for the compensatory education program.

Local school systems have been required to submit comprehensive plans for the development of prekindergarten programs to the Maryland State Department of Education since 1998. The Bridge to Excellence legislation required school systems to include within their comprehensive master plans the strategies that will be used to make prekindergarten programs available to all economically disadvantaged children.

Distribution: The allocation of extended elementary funding for each school system is equal to the amount the system received in fiscal 2002. The amounts are provided as required in fiscal 2007 but are scheduled for elimination in fiscal 2008. The \$19.3 million in funding for program will be folded into the compensatory education formula, which is scheduled to increase by approximately \$150 million in fiscal 2008. The allocation of fiscal 2007 funding for the extended elementary education program is shown in Exhibit 10.15.

History of Major Changes:

1997 – Chapter 105 increased annual funding for the program by \$3.3 million.

1998 – Chapter 565 increased annual funding for the program by \$4.4 million.

2002 – Chapter 288 extended mandated funding for the program through fiscal 2007 and required annual funding for each local school system to equal the funding it received through the program in fiscal 2002.

2004 and 2005 – Chapters 430 and 444, respectively, decreased fiscal 2005 and 2006 funding for the extended elementary education program by \$2.4 million, reducing each school system’s allocation by 12.5 percent in each year.

Legal Reference: Education Article, Section 5-206 (g)

Exhibit 10.15
Distribution of Miscellaneous Targeted Aid Programs
Fiscal 2007

County	Extended Elementary Education	Judy Hoyer Program	Challenge Grants
Allegany	\$348,315	\$364,443	\$139,524
Anne Arundel	1,295,265	87,839	876,213
Baltimore City	4,134,779	702,597	0
Baltimore	1,189,770	403,917	83,715
Calvert	453,810	347,001	0
Caroline	351,484	369,308	320,906
Carroll	171,658	367,072	0
Cecil	809,625	340,024	0
Charles	1,069,945	682,941	160,174
Dorchester	411,978	339,879	145,009
Frederick	812,125	449,817	0
Garrett	311,484	335,940	0
Harford	850,293	38,646	0
Howard	255,321	407,934	0
Kent	279,652	334,340	0
Montgomery	1,265,933	830,304	669,717
Prince George's	1,731,575	646,197	1,233,395
Queen Anne's	350,815	345,218	0
St. Mary's	873,288	448,669	0
Somerset	309,652	8,028	0
Talbot	314,652	343,371	0
Washington	598,636	387,102	160,174
Wicomico	790,293	413,088	0
Worcester	282,152	336,000	0
Unallocated	0	1,245,325	0
Total	\$19,262,500	\$10,575,000	\$3,788,827

Source: Department of Legislative Services

Judith P. Hoyer Early Child Care and Education Enhancement

Chapter 680 of 1998 established the Judith P. Hoyer Early Child Care and Education Enhancement Program to provide grants to local school systems for initiatives that promote school readiness through the development and expansion of high quality, comprehensive, full-day early child care and education programs and family support services. Funding from the Judith Hoyer Program may be awarded for the three purposes described below.

- *Judy Center Grants:* A local school system may apply for a grant to establish a “Judy Center” that provides family support services and comprehensive, full-day early child care and education services. A system that receives a Judy Center Grant must implement the Maryland State Department of Education’s Early Childhood Assessment System.
- *Early Childhood and Education Enhancement Grants:* These grants may be used to purchase family support services or early child care and education services from accredited private providers. The grants may also be distributed to private providers to assist them in obtaining accreditation or to enhance their professional development activities.
- *Funding for Assessments:* The third funding option provides aid to school systems for the purpose of implementing the State Department of Education’s Early Childhood Assessment System in public schools.

Distribution: The Maryland State Department of Education selects which applications to fund through a competitive grant process. Chapter 420 of 2001 required the fiscal 2003 State budget to include at least \$11.6 million in funding for the Judith P. Hoyer Early Child Care and Education Enhancement Program (\$10.6 million in State aid and \$1.0 million for the Maryland State Department of Education to administer the program), the same amount provided in fiscal 2002. Since fiscal 2003, funding has been as provided in the annual State budget but has remained at the \$11.6 million level. Exhibit 10.15 shows the estimated fiscal 2007 distribution of \$10.6 million in State aid under the program.

Challenge Grants and Grants for Schools in Improvement

The State provides aid to school systems to support specific schools that are struggling to meet State objectives and standards. Challenge grants have been distributed to schools where the average daily attendance is low, the dropout rate is high, and student

scores on State tests are low. A second category of grants are distributed to schools that have been identified for intervention under the State's accountability system.

Distribution: As required by Chapter 444 of 2005, the distribution of fiscal 2007 funding for Challenge Grants is the same as the fiscal 2005 distribution. This distribution is shown in Exhibit 10.15. The statute authorizing the grants is due to terminate after fiscal 2007.

The distribution of grants for schools in improvement is determined by the Maryland State Department of Education, although it is influenced by the number of schools in each jurisdiction that have failed to make "adequate yearly progress" towards meeting State performance objectives. The fiscal 2007 State budget includes \$11.8 million for the grants. In previous fiscal years, Baltimore City has received the largest share of the funds.

Legal Reference: Challenge Grants – Education Article, Section 5-204

Grants for Schools in Improvement – Code of Maryland Regulations, Title 13A, Subtitle 01, Chapter 04

Limited English Proficiency Formula

Funding for limited English proficient students was initially provided in the fiscal 1994 State budget; the program was first established in statute in 1994. Prior to fiscal 1999, \$500 grants were provided to school systems for each limited English proficient student they enrolled. The number of limited English proficient students in each county was determined by a count as of May 15 of the second preceding school year, and no student could be included in the count for more than two years. The Baltimore City Schools legislation, enacted in 1997, provided an additional \$1.9 million for limited English proficiency programs in the State. In 1998, the School Accountability Funding for Excellence legislation increased the per student grant to \$1,350, and the two-year limit was removed.

Only one State aid program provides additional funds to support students with limited English proficiency. Like the major State programs funding special education (the special education formula) and economically disadvantaged students (the compensatory education formula), the limited English proficiency formula was influenced heavily by the adequacy study, which estimated that school systems need an additional 1.00 times the per pupil foundation amount for each student with limited English proficiency who is enrolled in the system. Chapter 288 of 2002 established a

funding formula based on the local enrollment of limited English proficient students and local wealth.

Distribution

By fiscal 2008, funding for the limited English proficiency formula will be based entirely on local enrollments of limited English proficient students and local wealth, as described under the “Targeted Funding for At-risk Students” heading. In fiscal 2007, the amount of funding phased into the formula is offset by a “Tier I” per pupil State aid amount that is not wealth-equalized. The calculation of \$88.8 million in fiscal 2007 State aid for the limited English proficiency formula is shown in Exhibit 10.16. Fiscal 2008 State aid from the formula, which will no longer include a per pupil first tier grant, is estimated at approximately \$115 million.

History of Major Changes

1993 – State aid for limited English proficient students was funded at \$5.9 million in the fiscal 1994 State budget.

1994 – Chapter 510 established a limited English proficiency program in statute, and \$4 million was appropriated in the fiscal 1995 State budget. In fiscal 1996, the grant became \$500 per eligible student.

1997 – Chapter 105 enhanced funding for limited English proficient students as part of the Baltimore City Schools legislation.

1998 – Chapter 565 (the School Accountability for Funding Excellence legislation) increased the grant from \$500 to \$1,350 per limited English proficient student and repealed the two-year restriction on the number of years a student could be included in the enrollment count.

2002 – Chapter 288 established an enhanced funding structure for the limited English proficiency formula. The formula is based on local enrollments of students with limited English proficiency and local wealth. Full funding of the formula is phased in from fiscal 2004 to 2008.

Legal Reference

Education Article, Section 5-208

Exhibit 10.16
Limited English Proficiency Formula Calculation – Fiscal 2007

County	Oct. 2005 LEP Enrollment	Nonequalized Aid: \$337.50 x Enrollment	Program Level: \$2,377 x Enrollment	Wealth Per Pupil Factor¹	Adjusted Grant²	Minimum Grant: \$1,806 x Enrollment	Actual Formula Aid³	Total Aid⁴
Allegany	7	\$2,363	\$16,636	0.5620298	\$30,206	\$12,643	\$30,206	\$32,569
Anne Arundel	1,330	448,875	3,160,745	1.2627304	2,554,370	2,402,166	2,554,370	3,003,245
Baltimore City	1,358	458,325	3,227,287	0.5263527	6,256,993	2,452,738	6,256,993	6,715,318
Baltimore	2,514	848,475	5,974,521	1.0355083	5,887,819	4,540,636	5,887,819	6,736,294
Calvert	121	40,838	287,557	0.8776934	334,338	218,543	334,338	375,176
Caroline	107	36,113	254,286	0.5813708	446,349	193,257	446,349	482,462
Carroll	128	43,200	304,192	0.8466785	366,635	231,186	366,635	409,835
Cecil	110	37,125	261,415	0.7465040	357,358	198,675	357,358	394,483
Charles	133	44,888	316,075	0.7701725	418,800	240,217	418,800	463,688
Dorchester	80	27,000	190,120	0.8027321	241,692	144,491	241,692	268,692
Frederick	893	301,388	2,122,215	0.8763625	2,471,215	1,612,883	2,471,215	2,772,603
Garrett	0	0	0	0.9296559	0	0	0	0
Harford	376	126,900	893,564	0.8235278	1,107,267	679,109	1,107,267	1,234,167
Howard	1,499	505,913	3,562,374	1.1679272	3,112,638	2,707,404	3,112,638	3,618,551
Kent	75	25,313	178,238	1.3212853	137,660	135,461	137,660	162,973
Montgomery	13,228	4,464,450	31,436,342	1.5569258	20,604,829	23,891,620	23,891,620	28,356,070
Prince George's	8,303	2,802,263	19,732,080	0.7382235	27,276,581	14,996,380	27,276,581	30,078,844
Queen Anne's	91	30,713	216,262	1.1496497	191,964	164,359	191,964	222,677
St. Mary's	101	34,088	240,027	0.7918601	309,326	182,420	309,326	343,414
Somerset	60	20,250	142,590	0.5938859	245,014	108,368	245,014	265,264
Talbot	153	51,638	363,605	2.0982640	176,838	276,339	276,339	327,977
Washington	270	91,125	641,655	0.7672266	853,459	487,658	853,459	944,584
Wicomico	311	104,963	739,092	0.6661546	1,132,214	561,710	1,132,214	1,237,177
Worcester	181	61,088	430,147	2.4735545	177,460	326,911	326,911	387,999
Total	31,429	\$10,607,294	\$74,691,025		\$74,691,025	\$56,765,174	\$78,226,768	\$88,834,062
			Adjustment Factor =	1.0204810				

¹Wealth per pupil factor equals the local wealth per pupil divided by the statewide wealth per pupil.

²The adjusted grant equals the program level divided by the wealth per pupil factor. The outcome is multiplied by the adjustment factor, which brings the statewide total back to the calculated State funding level.

³Formula aid for each school system equals the greater of the adjusted grant and the minimum grant.

⁴Total aid equals nonequalized aid plus formula aid. Nonequalized aid is eliminated after fiscal 2007.

Source: Department of Legislative Services

Noninstructional Education Programs

Several State aid programs support important school activities that are not directly related to instruction such as student transportation, school construction, and food service. These programs were not addressed in the adequacy study because the study focused exclusively on the resources needed to provide adequate instructional services to students in prekindergarten through grade 12. Fiscal 2007 funding for noninstructional operating aid programs is shown in Exhibit 10.17, and descriptions of the major noninstructional aid programs follow.

Exhibit 10.17
Noninstructional State Operating Aid Programs – Fiscal 2007
 (\$ in Thousands)

County	Student Transportation	Aging Schools Program	Food Services	Other Noninstructional	Total
Allegany	\$3,609	\$319	\$139	\$270	\$4,337
Anne Arundel	16,882	1,161	311	823	19,177
Baltimore City	15,842	3,185	969	2,567	22,564
Baltimore	22,217	2,734	837	1,456	27,245
Calvert	4,463	88	35	297	4,882
Caroline	2,036	115	47	159	2,357
Carroll	7,759	391	51	286	8,487
Cecil	4,031	316	145	123	4,615
Charles	8,014	115	177	270	8,576
Dorchester	1,846	88	51	97	2,082
Frederick	9,269	419	134	382	10,204
Garrett	2,305	88	99	121	2,612
Harford	9,676	499	237	369	10,781
Howard	11,952	201	99	600	12,852
Kent	1,233	88	48	349	1,718
Montgomery	28,298	1,383	810	1,654	32,145
Prince George's	30,955	2,776	1,293	1,299	36,323
Queen Anne's	2,534	115	17	79	2,745
St. Mary's	5,010	115	131	180	5,435
Somerset	1,431	88	56	84	1,659
Talbot	1,209	133	50	31	1,422
Washington	5,234	310	236	321	6,102
Wicomico	3,979	332	148	138	4,597
Worcester	2,293	88	79	59	2,519
Unallocated	0	0	1,271	20,760	22,031
Total	\$202,078	\$15,148	\$7,469	\$32,774	\$257,469

Note: School construction aid is not included in this table because it is considered capital, not operating, aid.

Source: Department of Legislative Services

Student Transportation

All school systems are required to provide transportation to and from school for regular and disabled public school students. Prior to fiscal 1982, a State committee on the school bus formula, established under the State Board of Education, determined the amounts that local school boards were reimbursed for transportation services. Since 1982, aid has been distributed according to the formula, although the formula has been adjusted several times. The formula consists of two parts: a base grant that is adjusted annually and a per pupil grant based on the number of students with special transportation needs.

Distribution

Each county's base transportation grant equals its base grant in the prior year, increased by the lesser of 8 percent or the change in the transportation category of the Consumer Price Index for the Baltimore-Washington metropolitan area from the second preceding fiscal year. However, each jurisdiction is guaranteed a minimum 3 percent annual increase in its base grant. In addition, school systems experiencing increases in enrollment receive an additional grant amount equal to the district's student enrollment increase over the previous year multiplied by total per pupil transportation aid from the prior year. The sum of the base grant and the enrollment adjustment becomes the subsequent year's base grant.

Chapter 288 of 2002 enhanced the base student transportation grants for 15 school systems that experienced aggregate enrollment increases between 1980 and 1995, a time period when the formula did not adjust for increases in enrollment. The increased base grants were used to compute transportation funding in fiscal 2004, and annual grants have increased in each subsequent year from the higher base amounts.

Chapter 288 also enhanced funding for the transportation of students with disabilities. In fiscal 2003, distributions for handicapped student transportation equaled \$500 times the number of disabled students transported in excess of the number transported in the 1980-1981 school year. Since fiscal 2004, however, the per pupil amount has increased by \$100 annually and will reach the scheduled full funding level of \$1,000 per pupil in fiscal 2008. In addition, the "offset" for disabled students transported in the 1980-1981 school year was removed in fiscal 2004 so that school systems receive per pupil funding for every student in need of special transportation services.

Finally, Somerset County has received a grant of \$35,000 annually since fiscal 1996 to support the operating costs of the Smith Island boat, which transports students from Smith Island to mainland Somerset County.

The fiscal 2007 distribution of student transportation formula aid is shown in Exhibit 10.18.

History of Major Changes

1981 – Chapter 507 established the basis for the current school bus transportation grant formula using the fiscal 1982 distribution of transportation aid.

1988 – Chapter 784 established the disabled student transportation grant and set a minimum annual increase in student transportation aid of 3 percent.

1992 – Chapter 2 of the 1992 special session reduced the fiscal 1993 base grant by \$55 million; the grant for disabled students was not affected.

1996 – Chapter 681 established a new distribution formula, effective for fiscal 1998, providing a base grant plus additional aid to counties with increasing enrollments.

2002 – Chapter 288 enhanced the base student transportation grant for 15 school systems that experienced enrollment increases from 1980 to 1995. In addition, funding for students with special transportation needs was increased from \$500 to \$1,000 per pupil over a fiscal 2004 to 2008 phase-in period.

Legal Reference

Education Article, Section 5-205

Exhibit 10.18
Student Transportation Formula Calculation – Fiscal 2007

County	FY 2006 Base Grant	CPI Adjustment 7.7%	Sept. 04-05 Enrollment Increase	Enrollment Increase x → \$200.04	FY 2007 Base Grant¹	Disabled Riders Oct. 2005	Times \$900 Per Student	Total Aid²
Allegany	\$3,176,963	\$3,421,589	0.00	\$0	\$3,421,589	208	\$187,200	\$3,608,789
Anne Arundel	14,279,189	15,378,687	84.65	16,933	15,395,620	1651	1,485,900	16,881,520
Baltimore City	11,521,779	12,408,956	0.00	0	12,408,956	3815	3,433,500	15,842,456
Baltimore	18,031,329	19,419,741	0.00	0	19,419,741	3108	2,797,200	22,216,941
Calvert	3,894,816	4,194,717	3.05	610	4,195,327	297	267,300	4,462,627
Caroline	1,771,200	1,907,582	171.40	34,287	1,941,869	105	94,500	2,036,369
Carroll	6,652,497	7,164,739	286.90	57,391	7,222,130	597	537,300	7,759,430
Cecil	3,494,954	3,764,065	117.95	23,595	3,787,660	270	243,000	4,030,660
Charles	6,970,752	7,507,500	358.10	71,634	7,579,134	483	434,700	8,013,834
Dorchester	1,647,142	1,773,972	0.00	0	1,773,972	80	72,000	1,845,972
Frederick	7,839,284	8,442,909	367.40	73,495	8,516,404	836	752,400	9,268,804
Garrett	2,109,580	2,272,018	1.00	200	2,272,218	36	32,400	2,304,618
Harford	8,358,060	9,001,631	214.45	42,899	9,044,530	702	631,800	9,676,330
Howard	9,983,473	10,752,200	539.95	108,012	10,860,212	1213	1,091,700	11,951,912
Kent	1,101,818	1,186,658	0.00	0	1,186,658	52	46,800	1,233,458
Montgomery	21,791,275	23,469,203	835.00	167,033	23,636,236	5180	4,662,000	28,298,236
Prince George's	24,175,828	26,037,367	0.00	0	26,037,367	5464	4,917,600	30,954,967
Queen Anne's	2,277,013	2,452,343	111.90	22,384	2,474,727	66	59,400	2,534,127
St. Mary's	4,367,474	4,703,769	123.25	24,655	4,728,424	313	281,700	5,010,124
Somerset	1,281,144	1,379,792	0.00	0	1,379,792	57	51,300	1,431,092
Talbot	1,109,933	1,195,398	0.00	0	1,195,398	15	13,500	1,208,898
Washington	4,465,949	4,809,827	449.00	89,818	4,899,645	372	334,800	5,234,445
Wicomico	3,458,295	3,724,584	218.45	43,699	3,768,283	234	210,600	3,978,883
Worcester	2,077,395	2,237,354	53.65	10,732	2,248,086	50	45,000	2,293,086
Total	\$165,837,142	\$178,606,601	3,936.10	\$787,377	\$179,393,978	25,204	\$22,683,600	\$202,077,578
Per Pupil ³	\$200.04							

¹Fiscal 2007 base grants equal the fiscal 2006 base grant with the 7.7 percent CPI adjustment plus the enrollment adjustments.

²Total aid equals the fiscal 2007 base grant plus the grant for disabled students.

³Per pupil grant equals the fiscal 2006 base grant divided by the September 2004 FTE enrollment (829,006.7).

Source: Department of Legislative Services

School Construction Program

The State authorized \$975.3 million for school construction projects from fiscal 2003 to 2007. The fiscal 2007 total of \$322.7 million is the highest level of funding for public school construction since the program began in 1971. After relatively low funding in fiscal 2004 and 2005, the level of funding in fiscal 2006 and 2007 has met or exceeded the goal set out in the Public School Facilities Act of 2004 for addressing identified deficiencies in facilities. The Act establishes a goal of \$250 million in annual State funding during an eight-year span ending in fiscal 2013, for a total of \$2.0 billion in public school construction funding during that period. The goal envisions \$1.85 billion in local government spending during the same period. The county-by-county distribution of the funding in fiscal 2007, as well as the previous four years, is shown in Exhibit 10.19.

Prior to 1971, the State gradually assumed local school construction costs. The pre-1971 program provided direct payment to local governments for principal and interest on State general public school construction loan bonds and local public school construction bonds issued or obligated prior to June 30, 1967.

In 1971, the State adopted a new program whereby the State reimbursed the counties for (1) the full approved cost of all construction of public elementary and secondary schools for which contracts were let after July 1, 1971; (2) the full cost of debt service obligations incurred for contracts signed between February and June 1971; and (3) debt service requirements for obligations outstanding as of June 30, 1967.

From 1971 to 1986, various changes were made to the program that increased the local share of school construction costs. These included reducing State participation in school renovation projects, eliminating State funding for administrative office construction, establishing a maximum State construction allocation, and requiring local governments to assume any project costs exceeding the State's maximum construction allocation.

In fiscal 1989, upon approval by the Board of Public Works, which is composed of the Governor, Treasurer, and Comptroller, the State adopted a State and local shared school construction program based on the recommendations of the 1987 Task Force on School Construction. The task force recommended that the State's share for each county relate to the county's wealth: the higher the county's wealth, the lower the State's share of costs.

Exhibit 10.19
Public School Construction
Capital Funding Authorized by the General Assembly
(\$ in Thousands)

County	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	5-year Total
Allegany*	\$0	\$240	\$125	\$12,000	\$18,650	\$31,015
Anne Arundel	8,831	7,662	7,329	19,457	22,675	65,954
Baltimore City	13,840	11,151	11,483	21,523	39,436	97,433
Baltimore	12,470	11,541	11,563	25,218	35,053	95,845
Calvert	10,891	6,600	7,344	3,437	2,723	31,276
Caroline	1,055	1,175	269	4,699	2,935	10,133
Carroll	8,534	6,538	6,768	7,434	8,282	37,556
Cecil	0	5,023	8,246	8,656	8,271	30,196
Charles	10,598	6,463	6,400	8,267	10,200	41,928
Dorchester	3,268	177	991	656	872	5,964
Frederick	11,525	10,380	9,657	11,910	17,942	61,414
Garrett	2,395	984	1,098	1,507	1,235	7,219
Harford	6,181	5,356	7,439	8,287	11,096	38,359
Howard	12,356	9,254	8,800	15,273	17,808	63,491
Kent	550	345	555	2,000	3,479	6,929
Montgomery	18,000	10,584	9,036	30,431	40,040	108,091
Prince George's	18,000	12,763	10,174	29,833	37,425	108,195
Queen Anne's	5,000	3,004	338	6,897	3,000	18,239
St. Mary's	7,443	3,989	5,883	3,271	5,495	26,081
Somerset*	0	163	3,612	14,300	12,022	30,097
Talbot	0	0	0	2,422	2,405	4,827
Washington	1,361	2,003	2,375	6,431	4,478	16,648
Wicomico	2,684	729	3,993	7,616	4,178	19,200
Worcester	1,518	376	2,400	2,241	6,872	13,407
Bond Premium*					6,100	
Total	\$156,500	\$116,500	\$125,878	\$253,766	\$322,672	\$975,316

*The General Assembly authorized \$16 million in fiscal 2007 bond premium funds to replace \$6.1 million of previously allocated funds that were improperly allocated to other jurisdictions by the IAC. The remaining \$9.9 million of the total \$16 million is shown in the county allocations: \$8.4 million was allocated to Allegany County to complete funding for the new high school project, and \$1.5 million was allocated to Somerset County for Tawes Intermediate School.

Source: Public School Construction Program, Department of Legislative Services

The 1993 Governor's Task Force on School Construction expressed support for many of the existing practices and policies, while recommending an update of the State/local cost shares adopted in 1989. Other recommendations made by the task force were funding small systemic renovations costing between \$50,000 and \$100,000; reducing the elementary school class size used in the State-rated capacity formula; including space for prekindergarten students in projects eligible for State funding; and increasing overall school construction funding over the next five years to at least \$100 million annually.

The Bridge to Excellence in Public Schools Act of 2002 established the Task Force to Study Public School Facilities to review the adequacy and equity of the State's public school construction program. The task force assessed the condition of public schools across the State and evaluated State construction funding in light of the educational programs required by the Act. Upon completion of its work, the task force recommended extensive changes to the public school construction program, which were implemented in the Public School Facilities Act of 2004.

One of the most significant provisions of the 2004 legislation was a statement of intent by the Governor and General Assembly to fund a minimum of \$3.85 billion over eight years for public school construction (\$2.0 billion by the State and \$1.85 billion by local governments), necessitating a State commitment of \$250 million annually through fiscal 2013. The Act directed the Board of Public Works to adopt a new State and local cost-share formula recommended by the task force. The State share for local jurisdictions in fiscal 2006 to 2008 is shown in Exhibit 10.20. Other provisions of the Act clarified the procedures used by the Interagency Committee on School Construction for allocating funding and reverting unused funds to the statewide contingency fund; established an emergency repair fund; made the interagency committee subject to the Administrative Procedures Act; and required the Board of Public Works to adopt regulations by July 2005 implementing various provisions of the law, including reducing the State rated classroom capacity for grades 1 through 5 to 23 students per classroom.

Some school construction costs or projects are exclusively the responsibility of the local jurisdiction. They include site acquisition; architectural and engineering fees; utility connections; regional or central administrative offices; permits; and movable furniture and equipment.

The State funds its share of school construction primarily through the issuance of general obligation (GO) bonds. In some years funds for school construction are included in the State's operating budget as PAYGO. The fiscal 2007 funding of \$322.7 million authorized by the General Assembly includes GO bonds, PAYGO, \$16.0 million in bond premiums, and unexpended amounts in the contingency fund from prior years.

Exhibit 10.20
State Share of Eligible Costs for School Construction
Fiscal 2006 to 2008

<u>50%</u>	<u>55-69%</u>	<u>70-74%</u>	<u>75-89%</u>	<u>90+%</u>
Anne Arundel	Howard (58)	Cecil (70)	Prince George's* (75)	Allegany (90)
Baltimore	Carroll (65)	Charles (70)	Dorchester (77)	Somerset (97)
Kent	Harford (65)	Garrett (70)	Wicomico (81)	Baltimore City** (97)
Montgomery	Washington (65)	Queen Anne's (70)	Caroline (89)	
Talbot	Calvert (69)	Frederick (72)		
Worcester		St. Mary's (72)		

*For fiscal 1999 through 2005, the State provided 75% of Prince George's County's eligible costs for the first \$35 million, and for funding above \$35 million, the State provided 60% (fiscal 1999 through 2003) or 65% (fiscal 2003 through 2004) of eligible costs. For fiscal 2006 through 2008, the State provides 75% of eligible costs for the first \$35 million, and for funding above \$35 million, 69% of eligible costs.

**For fiscal 1998 through 2005, the State provided 90% of Baltimore City's eligible costs for the first \$10 million (fiscal 1998 through 2001) or \$20 million (fiscal 2002 through 2005), and for funding above \$10 million or \$20 million, the State provided 75% of eligible costs. For fiscal 2006 through 2008, the State provides 97% of eligible costs.

Source: Public School Construction Program; Department of Legislative Services

Distribution

The Interagency Committee on School Construction oversees the school construction program and operates under the authority of the Board of Public Works. The State Superintendent of Schools chairs the committee, which also includes the secretaries of General Services and Planning and two public members appointed by the Presiding Officers of the General Assembly. Each year, the interagency committee must notify local governments of the amount of estimated capital funds available for the upcoming fiscal year adjusted to reflect the State and local cost-sharing provisions.

Local education agencies are required to submit annually their educational facilities master plan for the interagency committee's review. The interagency committee draws up a list of approved funding projects and submits it to the Board of Public Works for final review and approval. Only projects designated as A (funded) or B (ready to go) on the Public School Construction Program's ABC list are eligible for funding. Allocations recommended by the interagency committee and approved by the Board of Public Works before May 1 are limited to 75 percent of the Governor's preliminary

allocation for school construction. Any local board or government wishing to appeal a decision of the interagency committee may appear before the interagency committee and the Board of Public Works. Prior to 2005, the Board of Public Works had the authority to make final decisions. In 2005 and 2006, the General Assembly required the interagency committee to make the final allocations to local education agencies after May 1.

The Public School Facilities Act of 2004 established the State and local cost-share formula to be used for public school construction beginning in fiscal 2006. The new provisions replaced a cost-share formula that had been established in 1993 to allocate funding, with the exception of special adjustments made for Baltimore City and Prince George's County. The new cost-share formula takes multiple factors into account, including local wealth, student populations, enrollment growth, the age of school facilities, and local effort for school construction. A "hold harmless" provision applies to allocations from fiscal 2006 through 2008 to prevent any county from receiving a lower State share than received in fiscal 2005. No county receives less than a 50 percent share from the State. The formula is to be updated every three years for incremental changes in local wealth and other factors.

Initially prompted by separate court actions against their school systems, Baltimore City and Prince George's County received enhanced State shares of eligible school construction costs through acts of the General Assembly. Baltimore City received 90 percent of eligible costs for the first \$10 million (beginning in fiscal 1998) to \$20 million (beginning in fiscal 2002) provided by the State and 75 percent of any excess through fiscal 2005. In Prince George's County, the State is responsible for 75 percent of the first \$35 million allocated, and 65 percent of eligible costs above \$35 million through fiscal 2007. Taking these special adjustments into account, the new cost-share formula provides each county with the highest State share in fiscal 2006 through 2008 under either the law or the new formula. In Baltimore City, the State provides 97 percent of eligible school construction costs. Prince George's County receives 75 percent of the first \$35 million and 69 percent of eligible costs for any additional allocations above \$35 million.

History of Major Changes

1947 – Incentive Aid for School Construction was created to provide a grant equal to the difference between \$10 per pupil and a local property tax levy of 5 cents per \$100 of assessed valuation. By 1961 the incentive amount was \$22 per pupil.

1949 – A Public School Construction Loan program was established to provide low interest loans to local governments for which they assumed all debt service obligations.

1967 – The State assumed support for 80 percent of \$1,500 per pupil construction costs and 80 percent of debt obligations outstanding as of June 30, 1967.

1971 – The State assumed responsibility for the debt service on all local school construction debt outstanding as of June 30, 1967, and adopted a State fully funded school construction program for approved projects.

1988 – The State/local shared school construction program was adopted by the Board of Public Works, based on the recommendations of the 1987 Task Force on School Construction Finance.

1993 – New funding shares for State and local governments were recommended by the Governor’s Task Force on School Construction and adopted by the Board of Public Works.

1996 – The State entered into a consent decree with the plaintiffs in the case of *Bradford et al. v. Maryland State Board of Education et al.* that required the State to provide a 90 percent share of the first \$10 million in public school construction funding allocated to Baltimore City in fiscal 1998 through 2002.

1998 – Chapter 704 required the State to provide Prince George’s County with \$35 million each year in school construction funding for fiscal 1999 through 2002, contingent on future economic conditions. The State share of the first \$35 million allocated by the State was set at 75 percent, with 60 percent of any excess. Chapter 289 of 2002 changed the State’s share of funds in excess of \$35 million to 65 percent through fiscal 2007.

2000 – Chapter 559 permitted the Baltimore City Board of School Commissioners to issue up to \$25 million in bonds for financing or refinancing the purchase, construction, or improvement of any Baltimore City public school facility. Later legislation increased the maximum amount of the bonds to \$75 million.

2001 – Chapter 280 required the State in fiscal 2002 and 2003 to fund 90 percent of Baltimore City’s eligible school construction costs for the first \$20 million provided by the State and 75 percent of any amount the State provided above \$20 million. Chapter 280 also required Baltimore City to allocate at least \$12.4 million for school construction in fiscal 2002 and 2003.

2002 and 2003 – The Baltimore City requirement was extended through fiscal 2004 by Chapter 288 of 2002 and through 2005 by Chapter 388 of 2003. Chapter 388 of 2003 increased the amount that Baltimore City must allocate to \$16.0 million.

2004 – Chapters 306 and 307 implemented the recommendations of the Task Force to Study Public School Facilities. Major provisions include establishing a new State and local cost-share formula beginning in fiscal 2006 that would be updated every three years; establishing an emergency repair fund (at least \$2 million in fiscal 2005); authorizing alternative financing methods for counties; expanding eligible costs to include relocatable classrooms for fiscal 2006 through 2008; requiring the Interagency Committee on School Construction to survey the condition of school buildings every four years; requiring the reversion of unused construction funds to the statewide contingency fund, and stating the intent of the Governor and General Assembly to provide \$3.85 billion (\$2 billion State and \$1.85 billion local) in funding for school facilities by fiscal 2013.

2005 – Chapter 340 expanded the membership of the Interagency Committee on School Construction to include two legislative appointees. The committee's meetings are deemed subject to the State Open Meetings Law. Board of Public Works' approval of projects prior to May 1 is limited to 75 percent of the Governor's preliminary allocation for school construction. County-by-county allocations are specified for fiscal 2006. The interagency committee is required to make final project allocations after May 1.

2006 – Chapter 46 amended earlier language to clarify that the Board of Public Works' approval of 75 percent of the Governor's preliminary allocation does not include amendments to the original amount. County-by-county allocations are specified for fiscal 2007. The interagency committee is required to make final project allocations after May 1.

Legal Reference

Education Article, Title 5, Subtitle 3; Rules, Regulations, and Procedures for the Administration of the School Construction Program

Aging Schools Program

This program provides funds to local school systems for improvements, repairs, ongoing maintenance, and deferred maintenance of public school buildings exceeding 15 years of age. No local match is required. Eligible program expenditures include

asbestos and lead paint abatement; fire protection systems and equipment; painting; plumbing; roofing; heating, ventilation, and air conditioning systems; site redevelopment; wiring schools for technology; prekindergarten facilities; and renovation projects related to education programs and services. The Board of Public Works adopted regulations to guide the program, and the Interagency Committee on Public School Construction administers the program as part of the public school construction program.

A five-year commitment to fund this program was incorporated into the Baltimore City-State Partnership legislation in 1997. The original funding level was \$4.4 million, which was increased to \$10.4 million in mandatory statutory grants by the School Accountability Funding for Excellence Act of 1998. The Bridge to Excellence in Public Schools Act of 2002 extended the program until a task force studying public school facilities could complete its work. The program's termination date was repealed in 2003, based on the task force's recommendation, making the program permanent, and in 2004, the task force recommended a revised allocation of program funding.

The fiscal 2005 capital budget contained General Assembly intent language to add "hold harmless" grants in fiscal 2006 through 2008 for six counties that received less funding under the revised allocation. The fiscal 2007 budget added \$3.7 million to the existing \$10.4 million in mandated grants and \$1.1 million in "hold harmless" grants. The additional \$3.7 million must be distributed to each county in proportion to its share of the mandated statutory grants. Beginning in fiscal 2008, the statutory grants will be adjusted annually for inflation.

Distribution

The allocation of program funding is set in statute. Effective in fiscal 2006, the Public School Facilities Act of 2004 revised the allocation by basing each school system's share of total funding on the percentage of school building square footage constructed prior to 1970 in each system (funds were previously allocated based on pre-1960 square footage). Minimum allocations of \$65,000 and \$85,000 were maintained under the revised allocation. School systems receiving less funding under the revised formula are entitled to "hold harmless" grants, which phase out in fiscal 2009. Exhibit 10.21 shows the fiscal 2007 funding distribution for each school system.

Exhibit 10.21
Aging Schools Program
Fiscal 2007

County	Statutory Grants	Additional Grants	Hold Harmless Grants	Total State Aid
Allegany	\$166,000	\$58,444	\$95,000	\$319,444
Anne Arundel	859,000	302,431	0	1,161,431
Baltimore City	2,356,000	829,484	0	3,185,484
Baltimore	1,484,000	522,477	728,000	2,734,477
Calvert	65,000	22,885	0	87,885
Caroline	85,000	29,926	0	114,926
Carroll	233,000	82,033	76,000	391,033
Cecil	163,000	57,388	96,000	316,388
Charles	85,000	29,926	0	114,926
Dorchester	65,000	22,885	0	87,885
Frederick	310,000	109,143	0	419,143
Garrett	65,000	22,885	0	87,885
Harford	369,000	129,915	0	498,915
Howard	149,000	52,459	0	201,459
Kent	65,000	22,885	0	87,885
Montgomery	1,023,000	360,171	0	1,383,171
Prince George's	2,053,000	722,806	0	2,775,806
Queen Anne's	85,000	29,926	0	114,926
St. Mary's	85,000	29,926	0	114,926
Somerset	65,000	22,885	0	87,885
Talbot	65,000	22,885	45,000	132,885
Washington	229,000	80,625	0	309,625
Wicomico	181,000	63,725	87,000	331,725
Worcester	65,000	22,885	0	87,885
Total	\$10,370,000	\$3,651,000	\$1,127,000	\$15,148,000

Source: Department of Legislative Services

History of Major Changes

1997 – Chapter 105 provided \$4.35 million annually for the Aging Schools Program through fiscal 2002.

1998 – Chapter 565 provided \$6.02 million in additional funding for the program.

2002 – Chapter 288 extended the termination date of the program through fiscal 2004.

2003 – Chapter 388 repealed the termination date of the program and extended the \$10.37 million funding level.

2004 – Chapters 306 and 307 revised the allocation of funds in the program beginning in fiscal 2006 by basing funding on the percentage of pre-1970 public school square footage and maintaining the \$65,000 and \$85,000 minimum allocations.

2006 – Chapter 216 added \$3.7 million in PAYGO funds to the program. Projects receiving these funds are subject to the local participation requirements applicable to other school construction projects.

2006 – Chapter 252 required that the \$10.4 million in statutory grants be adjusted annually for inflation beginning in fiscal 2008.

Legal Reference

Education Article, Section 5-206; Rules, Regulations, and Procedures for the Administration of the School Construction Program

Food Service Programs

In addition to federal funds provided under the School Lunch Act of 1946, the State provides matching funds to support food and nutrition programs for low-income children. The programs provide free and reduced price breakfasts, lunches, and snacks to public or private nonprofit school students. All public schools in the State are required to provide subsidized or free nutrition programs for eligible students.

Distribution

Eligibility for food services programs is determined by households completing an application for student meal benefits. The applications are reviewed and compared with federal poverty and income eligibility guidelines. Exhibit 10.17 shows the estimated fiscal 2007 distribution of \$7.5 million in State funding for food services programs.

The fiscal 2007 State reimbursement rate established by the Maryland State Department of Education for free and reduced price lunches is 11.5 cents per meal served. The general reimbursement rate per free and reduced price breakfast is 13.25 cents per meal, but in severe need schools, where more than 40 percent of the students qualify for free and reduced price meals, the reimbursement rate is 5 cents per breakfast served because the federal government reimbursement is higher.

The Maryland Meals for Achievement In-classroom Breakfast Program, established in 1999, provides a free in-class breakfast to all students enrolled in schools in which 40 percent or more of the students qualify for free or reduced-priced meals. Schools must be eligible and are selected to participate in the program. Fiscal 2007 funding for the program totals \$3.1 million, which supports 188 schools.

Certain public elementary schools may be exempted from the required free and subsidized breakfast program if participation is less than 25 percent of the number of students eligible for free and reduced price meals in the past three months; the school system approves an alternative nutrition programs, or the school has less than 15 percent of its enrollment approved for free and reduced price meals.

The State free and subsidized breakfast program may be suspended if the federal reimbursement falls below a certain level.

History of Major Changes

1980 – Chapter 836 established the free and reduced price breakfast program in public elementary schools.

1990 – Chapter 488 provided that a school could be exempted from the free and reduced price breakfast program under certain conditions.

1999 – The General Assembly established the Maryland Meals for Achievement In-classroom Breakfast Program.

Legal Reference

Education Article, Sections 7-601 through 7-704

Maryland Infants and Toddlers Program

The Infants and Toddlers Program provides for a statewide community-based interagency system of comprehensive early intervention services for eligible children who are less than three years old. Eligible children include those who have developmental delays or disabilities. The Maryland State Department of Education coordinates the program on the State level, and each local jurisdiction identifies a lead agency to run the program locally.

Distribution

A discretionary formula for the distribution of infants and toddlers funding was established in 2002, but through fiscal 2007, the formula had not yet been used to determine the allocation of program funds. If it was fully funded, the formula would provide approximately \$900 per participating child to each jurisdiction.

Beginning in fiscal 2008, the annual budget proposal submitted by the Governor must include at least as much funding for the infants and toddlers program as was provided the previous fiscal year. The fiscal 2007 State budget includes \$5.8 million for the program.

History of Major Changes

1997 – Chapters 385 and 386 transferred the Maryland Infants and Toddlers Program from the Office for Children, Youth, and Families to the Maryland State Department of Education.

2002 – Chapter 288 provided \$4.8 million in tobacco tax funding to support the program.

2002 – Chapter 312 established a discretionary formula for the distribution of program funding to begin in fiscal 2004.

2006 – Chapter 298 requires the Governor to include in the annual budget proposal funding for the infants and toddlers program that is at least equal to the amount provided in the prior fiscal year.

Legal Reference

Education Article, Section 8-416

Adult Education

Since 1945, the State has authorized local jurisdictions to provide day and evening classes for adults to acquire their high school diplomas or equivalent, engage in vocational training, and develop general life skills. The local boards of education provide these services in many jurisdictions, but local community colleges and community-based organizations are also used to deliver adult education services.

Distribution

The State budget includes an annual general fund appropriation for adult education, including funds for Adult General Education (\$161,703 in fiscal 2007), the External Diploma Program (\$281,070), the Literacy Works Program (\$4.9 million), and the Center for Art and Technology (\$80,000). Grants are competitively awarded based on the number of people who have not completed high school in the jurisdiction, demonstrated program effectiveness, and the ability to meet the required 25 percent local match.

History of Major Changes

1945 – Chapter 545 required local school boards to provide adult education programs.

1978 – Chapter 343 authorized full-time students to enroll in adult education programs at their own expense.

1989 – Chapter 14 (budget bill) authorized \$685,000 for an adult literacy program to augment State grants for adult education.

1997 – Chapter 542 required the Governor to include in the annual budget bills for fiscal 1998 through 2001 a general fund appropriation for the Maryland Adult External High School Program in an amount not less than the appropriation for fiscal 1996.

2002 – Chapter 185 required the Maryland State Department of Education to develop a funding formula based on need and cost of instruction.

2002 – Chapter 288 provided \$1.1 million in tobacco tax funding to be used for adult education and literacy services as provided in Chapter 185.

2005 – Chapter 305 required the fiscal 2007 and 2008 State budgets to include an increase of at least \$1.5 million over the fiscal 2005 funding level for Literacy Works grants in order to reduce the waiting list for adult education and literacy services. In addition, Chapter 305 required the Maryland State Department of Education to develop an ongoing method of funding for adult education and literacy services.

2006 – Chapter 380 requires the fiscal 2008 State budget to include an increase of at least \$1.5 million over the fiscal 2007 funding level for Literacy Works grants in order to reduce the waiting list for adult education and literacy services.

Legal Reference

Education Article, Sections 4-110 and 5-218

Quality Teacher Incentives

Stipends and bonuses for eligible classroom teachers were established in 1999 as a means of attracting and retaining quality teachers in Maryland's public schools. The three types of stipends that qualifying school-based employees may receive are described below.

- A teacher holding certification from the National Board for Professional Teaching Standards receives a stipend from the State that is equal to the stipend offered by the local school system, up to a maximum of \$2,000 per year from the State. In 2005, eligibility for this stipend was extended to other school-based personnel in addition to classroom teachers.
- A teacher who graduated with a college grade point average of 3.5 or better and is hired by a local school system receives a \$1,000 signing bonus from the State. The teacher must remain employed with the school system for at least three years or reimburse the State for the bonus.
- A teacher with an advanced professional certificate who teaches in a challenge school, a school in corrective action, or a school in restructuring status receives an annual stipend of \$2,000. A qualifying teacher must perform satisfactorily to qualify for the stipend.

Distribution

The distribution of Quality Teacher Incentives is determined by the number of teachers and school-based personnel in each school system who qualify for stipends and bonuses. The fiscal 2007 budget includes \$7.6 million for the program.

History of Major Changes

1999 – Chapter 600 established Quality Teacher Incentives.

2002 – Chapter 345 of 2002 changed eligibility for the new teacher signing bonus from graduation in the top 10 percent of a class to a grade point average of at least 3.5 on a 4.0 scale.

2005 – Chapter 368 extended eligibility for the national certification stipend to other school-based personnel. Previously, only classroom teachers were eligible for the stipends.

Legal Reference

Education Article, Section 6-306

Other Noninstructional Programs

School Wiring (\$8.0 million in fiscal 2007)

The State entered into a Master Lease Purchase Financing Agreement in 2001 to finance the wiring of all public schools to the Internet under the Technology in Maryland Schools program. Approximately 98 percent of public schools had been wired by the end of 2005, with the remaining schools to be completed in 2006. The payments are estimated to total \$50.9 million over the full term of the lease.

Head Start (\$3.0 million)

Head Start funding supports school readiness enhancements for disadvantaged children five years old and younger.

School-based Health Centers (\$2.9 million)

Transferred from the Office for Children, Youth, and Families to the Maryland State Department of Education by Chapter 585 of 2005, school-based health centers provide primary medical care as well as social, mental health, and health education services for students and their families.

Chapter 11. Library State Aid

Libraries are primarily a local function with most of their funding coming from county governments. In fiscal 2004, public spending on local libraries totaled \$204.7 million. The State provided \$46.0 million in funding or 21.7 percent of total funds and county governments provided \$141.8 million or 66.8 percent of total funds. Most of the remaining funds were generated by the library systems.

The Division of Library Development and Services at the Maryland State Department of Education is statutorily charged with providing leadership and guidance for the planning and coordinated development of library and information services in Maryland. Local library boards of trustees oversee operations of the libraries. The State supports 24 public library systems, representing 23 counties and Baltimore City; the State Library Resource Center, which includes the Enoch Pratt Central Library in Baltimore City, and the Library for the Blind and Physically Handicapped; three regional resource centers; and metropolitan cooperative service programs.

Over the last four years, State funding for local libraries has increased by 16.7 percent as shown in Exhibit 11.1. The allocation of library aid in fiscal 2007 for each county is provided in Exhibit 11.2.

Exhibit 11.1
Library Aid Programs – Funding Trend
(\$ in Millions)

<u>Aid Program</u>	<u>FY 2003</u>	<u>FY 2007</u>	<u>Percent Change</u>
Library Aid Formula	\$27.2	\$31.0	14.1%
State Library Resource Center	9.1	10.3	12.7
Regional Resource Centers	3.4	4.9	44.8
Other Library Network Programs	0.1	0.1	0.0
Librarian Retirement	7.7	9.2	18.4
Total	\$47.5	\$55.4	16.7%

Source: Department of Legislative Services

Exhibit 11.2
Library Aid Programs
Fiscal 2007

County	Formula Aid	Retirement	Total Aid	Per Capita Aid
Allegany	\$697,376	\$66,368	\$763,744	\$10
Anne Arundel	1,843,817	817,305	2,661,122	5
Baltimore City	6,060,599	1,114,455	7,175,054	11
Baltimore	4,684,216	1,101,110	5,785,326	7
Calvert	386,383	153,866	540,249	6
Caroline	241,090	73,705	314,795	10
Carroll	885,695	382,131	1,267,826	8
Cecil	614,818	132,160	746,978	8
Charles	763,794	163,267	927,061	7
Dorchester	214,723	38,860	253,583	8
Frederick	1,012,569	317,390	1,329,959	6
Garrett	158,267	53,871	212,138	7
Harford	1,383,713	589,759	1,973,472	8
Howard	693,519	736,114	1,429,633	5
Kent	89,716	32,328	122,044	6
Montgomery	2,396,394	1,686,923	4,083,317	4
Prince George's	6,048,914	1,080,664	7,129,578	8
Queen Anne's	126,710	64,689	191,399	4
St. Mary's	570,678	149,031	719,709	7
Somerset	251,228	21,776	273,004	11
Talbot	91,044	43,546	134,590	4
Washington	993,473	181,484	1,174,957	8
Wicomico	683,613	89,817	773,430	9
Worcester	127,332	85,580	212,912	4
Library Network	0	0	15,219,970	3
Total	\$31,019,681	\$9,176,199	\$55,415,850	\$10

Source: Department of Legislative Services

Library Aid Formula

The State provides assistance to public library systems through a formula that determines the State and local shares of a minimum per capita library program. The minimum library program is \$13.00 per resident in fiscal 2007 and increases by \$1.00 per

resident annually until it reaches \$16.00 per resident in fiscal 2010. Overall, the State provides about 40 percent of the minimum program, while the counties provide 60 percent. Traditionally, counties have contributed more support for libraries than is required under the formula.

In fiscal 2007, State formula aid for libraries amounts to \$31.0 million. This represents a 14.1 percent increase since fiscal 2003, when State aid was \$27.2 million. The growth is mostly due to increases in the per capita program level, which increased from \$12.00 per resident in fiscal 2003 to \$13.00 per resident in fiscal 2007.

Distribution

The library aid formula distributes State aid to the local library boards on a wealth-equalized basis. Although overall State and local sharing of the minimum program is approximately 40 percent State and 60 percent local, the State's share for a specific library board varies depending on county wealth. Less wealthy counties receive more aid per resident than wealthy counties. However, no library board may receive less than 20 percent of the per capita minimum program from the State.

The calculation of the State and local shares of formula aid for a library board is based on county population and wealth. For purposes of the library aid formula, the statute defines population and wealth as follows:

- *County population:* population based on the decennial census or more recent estimates by the Department of Health and Mental Hygiene, available by July 1 of the calendar year prior to the year of calculation; and
- *County wealth:* the sum of adjusted assessed valuation of real property and public utility operating property for the prior fiscal year, as determined by the Department of Assessments and Taxation, and net taxable income as determined by the Comptroller.

The local share of each library board's minimum per capita program equals the local contribution rate multiplied by county wealth. The local contribution rate is a statewide "tax" rate representing the counties' aggregate share of the minimum library program divided by total county wealth. Specifically, the local contribution rate equals the overall local share (60 percent) multiplied by the per capita program level (\$13) multiplied by total State population and divided by total State wealth.

The State's share of each library board's minimum per capita program equals the local share subtracted from the product of the per capita program (\$13) and county population. For certain high wealth counties, the calculation results in a State aid amount that is less than 20 percent of the per capita program funding level. For these counties, State aid is set at the 20 percent minimum funding level, or \$2.60 per county resident. In fiscal 2007, Howard, Montgomery, Talbot, and Worcester counties receive the minimum State contribution. Exhibit 11.3 shows the library formula calculation for fiscal 2007.

Special Provisions

Any library expenditures in excess of the minimum program must be paid from local sources. Local governments may use up to 20 percent of the State and local shares of the minimum per capita program for capital expenses.

History of Major Changes

1962 – Chapter 122 created the minimum library aid program.

1978 – Chapter 988 increased per capita funding from \$4 to \$5, to take effect in fiscal 1980.

1982 – Chapter 486 increased per capita funding from \$5 to \$5.67.

1986 – Chapter 124 increased per capita funding from \$5.67 to \$6.50 and adjusted the local contribution rate calculation to include seven decimal places instead of five.

1987 – Chapter 521 increased per capita funding from \$6.50 to \$6.75.

1988 – Chapter 696 increased per capita funding from \$6.75 to \$7.00

1989 – Chapter 695 increased per capita funding from \$7 to \$7.25.

1994 – Chapter 722 increased per capita funding from \$7.25 to \$8.25, effective in fiscal 1996.

1996 – Chapter 8 increased per capita funding from \$8.25 to \$9.25, effective in fiscal 1998.

1998 – Chapter 575 increased per capita funding from \$9.25 to \$10.75 in fiscal 1999, \$11.00 in fiscal 2000, \$11.50 in fiscal 2001, and \$12.00 beginning in fiscal 2002.

2003 – Chapter 161 required the Maryland State Department of Education to provide access to audio news and information services for blind and disabled residents.

2005 – Chapter 481 increased per capita funding by \$1.00 annually beginning in fiscal 2007 to reach a level of \$16.00 per capita in fiscal 2010.

Legal Reference

Education Article, Sections 23-501 through 23-505

Exhibit 11.3
Library Formula Aid – Fiscal 2007

County	Population	Basic Program	Wealth	Local Share ¹	Formula State Aid ²	Min. State Aid	State Aid ³
		\$13.00 x Population		0.0001345 x Wealth		\$2.60 x Population	
Allegany	73,871	\$960,323	\$1,954,999,929	\$262,947	\$697,376	\$192,065	\$697,376
Anne Arundel	508,572	6,611,436	35,446,979,148	4,767,619	1,843,817	1,322,287	1,843,817
Baltimore City	636,251	8,271,263	16,436,164,226	2,210,664	6,060,599	1,654,253	6,060,599
Baltimore	780,821	10,150,673	40,642,799,667	5,466,457	4,684,216	2,030,135	4,684,216
Calvert	86,474	1,124,162	5,485,346,604	737,779	386,383	224,832	386,383
Caroline	31,058	403,754	1,209,396,836	162,664	241,090	80,751	241,090
Carroll	166,159	2,160,067	9,474,886,118	1,274,372	885,695	432,013	885,695
Cecil	95,526	1,241,838	4,661,861,769	627,020	614,818	248,368	614,818
Charles	135,807	1,765,491	7,447,563,540	1,001,697	763,794	353,098	763,794
Dorchester	30,912	401,856	1,391,322,709	187,133	214,723	80,371	214,723
Frederick	217,653	2,829,489	13,508,702,584	1,816,920	1,012,569	565,898	1,012,569
Garrett	30,124	391,612	1,734,909,998	233,345	158,267	78,322	158,267
Harford	235,594	3,062,722	12,483,340,094	1,679,009	1,383,713	612,544	1,383,713
Howard	266,738	3,467,594	21,518,899,352	2,894,292	573,302	693,519	693,519
Kent	19,582	254,566	1,225,652,298	164,850	89,716	50,913	89,716
Montgomery	921,690	11,981,970	82,330,250,389	11,073,419	908,551	2,396,394	2,396,394
Prince George's	842,967	10,958,571	36,503,026,490	4,909,657	6,048,914	2,191,714	6,048,914
Queen Anne's	45,078	586,014	3,414,899,781	459,304	126,710	117,203	126,710
St. Mary's	94,921	1,233,973	4,931,557,878	663,295	570,678	246,795	570,678
Somerset	25,863	336,219	631,904,121	84,991	251,228	67,244	251,228
Talbot	35,017	455,221	3,650,545,672	490,998	-35,777	91,044	91,044
Washington	139,624	1,815,112	6,108,838,542	821,639	993,473	363,022	993,473
Wicomico	88,782	1,154,166	3,498,534,640	470,553	683,613	230,833	683,613
Worcester	48,974	636,662	6,597,260,900	887,332	-250,670	127,332	127,332
Total	5,558,058	\$72,254,754	\$322,289,643,285	\$43,347,957	\$28,906,797	\$14,450,951	\$31,019,681

¹Local contribution rate equals the local share (60 percent) times the per capita program level (\$13) times the State population, divided by total State wealth.

²Equals basic program amount minus local share amount.

³Equals the greater of formula State aid and minimum State aid.

Source: Department of Legislative Services

State Library Network

Since 1888, the State has provided funds to support public libraries throughout the State under what is now known as the State library network. The network consists of the Central Library of the Enoch Pratt Free Library System in Baltimore City, the Library for the Blind and Physically Handicapped, three regional resource centers, and metropolitan cooperative service programs. All these systems receive State funding for operating expenses. The Enoch Pratt Free Library and the regional resource centers also receive full State funding for capital expenses.

Distribution

The Central Library of the Enoch Pratt Free Library operates as the designated State Library Resource Center. In fiscal 2007, State funding is provided at \$1.85 per State resident, translating to \$10.3 million.

In addition to the State center, regional resource centers serve Western Maryland (Hagerstown), Southern Maryland (Charlotte Hall), and the Eastern Shore (Salisbury). A library may be designated as a resource center, subject to the approval of the Maryland State Department of Education, if it (1) serves a population of at least 100,000; (2) is the strongest library in the region; and (3) is centrally located in the designated region. The regional centers receive State funding of \$5.50 per resident of the region in fiscal 2007, which totals \$4.9 million. The per capita amount provided to regional resource centers increases by \$1.00 annually until fiscal 2010, when funding will reach \$8.50 per resident.

Metropolitan cooperative service programs may be established in regions not served by regional resource centers if they meet standards adopted by the State Board of Education. Although there is no mandated funding level for cooperative service programs, the State has provided a constant level of funding for the centers at \$34,600 from fiscal 2003 to 2007.

Operating funds for the three systems are appropriated annually in the State Department of Education budget and distributed in equal bimonthly payments. Capital project funding is provided to the State and regional resource centers through inclusion in the State's five-year capital program and legislative approval of annual authorizations. Exhibit 11.4 shows the fiscal 2007 operating funds for the State library network, totaling \$15.2 million. State aid for the State library network system has increased by 21 percent since fiscal 2003, driven by increases in the per capita amount in the formula for both the State Library Resource Center and the regional resource centers.

**Exhibit 11.4
State Library Network
Fiscal 2007 Appropriations**

<u>Program</u>	<u>Appropriation</u>
State Library Resource Center	\$10,282,407
Regional Resource Centers	
Eastern Shore	1,788,963
Southern Maryland	1,744,611
Western Maryland	1,339,905
Library Cooperatives	34,605
Interlibrary	29,479
Total	\$15,219,970

Source: Department of Legislative Services

History of Major Changes

1950s – Resource centers and the metropolitan services were added to the State Resource Center.

1998 – Chapter 738 established a mandatory funding formula for the State and regional resource centers in the amount of at least \$1.70 per capita.

1999 – Chapter 701 provided for a phase-in of a higher mandatory funding level for the State Library Resource Center, based on an amount per State resident. By fiscal 2004, the per capita amount increased to \$1.85.

2000 – Chapter 547 provided for a phase-in of a higher mandatory funding level for the regional library resource centers, based on an amount per person residing in the region serviced by the center. By fiscal 2004, the per capita amount increased to \$4.50.

2006 – Chapter 481 increased the mandatory funding level for regional resource centers by \$1.00 annually, from \$4.50 per resident in fiscal 2006 to \$8.50 per resident in fiscal 2010.

Legal Reference

Education Article, Sections 23-201 through 23-206

Library Retirement

When eligibility for the Teachers' Retirement System was broadened in 1945, the professional and clerical employees of the county library boards were classified as teachers and allowed to join. All employer retirement costs are paid by the State, except in Montgomery County where librarians have elected to remain in the Montgomery County Retirement System.

Distribution

The State Retirement and Pension System calculates a lump-sum estimate of employer retirement costs for the current fiscal year, which is included in the budget of the Maryland State Department of Education. There is no distribution of funds to the local library boards. Each board's share of the State's retirement appropriation can be estimated based on county-by-county salary data. For Montgomery County, the State remits the lesser of the costs of retirement for the county or the State systems. Fiscal 2007 librarian retirement aid, which totals \$9.2 million, is shown in Exhibit 11.5.

History of Major Changes

1927 – When the State Teachers' Retirement System was established, all employer costs were assumed by the State.

1945 – When the counties were authorized to establish libraries under boards of trustees, the professional and clerical employees were defined as "teachers" eligible to join the State Teachers' Retirement System with all costs paid by the State.

1980 – The Teachers' Retirement System was closed to new members, and the State Teachers' Pension System was established for new members and those members of the old system who desired to transfer.

1992-1994 – Due to the fiscal crisis, the State did not make retirement payments associated with general salary increases given to librarians from fiscal 1992 to 1994. The local library boards were responsible for these costs.

1995 – The State resumed paying 100 percent of librarians' retirement costs beginning with fiscal 1996.

1998 – Chapter 530 provided a benefit enhancement for the members of the Employees' Pension System and Teachers' Pension System.

2006 – Chapter 110 provided a benefit enhancement for the members of the Employees' Pension System, and the Teachers' Pension System and increased employee contributions to the systems to help pay for the enhancements.

Legal Reference

Education Article, Section 23-504 and State Personnel and Pensions Article, Section 21-308

County Library Capital Project Grants

Chapter 494 of 2006 established a \$5 million per year State grant program for public library capital projects to begin in fiscal 2008. To apply for a grant from the program, a local public library system must have (1) a countywide library plan that includes a mission statement, a needs statement, and multiyear goals and objectives on file with the Division of Library Development and Services in the Maryland State Department of Education; and (2) a master plan that includes a description of the capital project approved by the local library board. An application must include a description of the scope and purpose of the project, a building plan that includes the total cost of the project, and any other information required by the Division of Library Development and Services.

State grants from the program require a match from any combination of county, municipal, or private sources. The grants may not pay more than 50 percent of the total cost of the project and may not be less than \$20,000. A local public library system may apply for up to three capital project grants per year.

For more detailed information on the organization and financing of the State's public libraries, see *Government Services in Maryland*, Volume II of the Legislative Handbook Series.

Exhibit 11.5
Librarian Retirement Funding
Fiscal 2007

County	Total Aid
Allegany	\$66,368
Anne Arundel	817,305
Baltimore City	1,114,455
Baltimore	1,101,110
Calvert	153,866
Caroline	73,705
Carroll	382,131
Cecil	132,160
Charles	163,267
Dorchester	38,860
Frederick	317,390
Garrett	53,871
Harford	589,759
Howard	736,114
Kent	32,328
Montgomery	1,686,923
Prince George's	1,080,664
Queen Anne's	64,689
St. Mary's	149,031
Somerset	21,776
Talbot	43,546
Washington	181,484
Wicomico	89,817
Worcester	85,580
Total	\$9,176,199

Source: Department of Legislative Services

Chapter 12. Community College State Aid

The operation of community colleges in Maryland is basically a local function, with oversight provided by the Maryland Higher Education Commission. Local boards of trustees oversee policy and operation of the community colleges, with funding provided by federal, State, and local governments, as well as through the collection of tuition and fees. However in Baltimore City, the local community college is operated by the State as a comprehensive urban community college and is considered a State agency.

In fiscal 2004, local community colleges received \$812.2 million in revenue, with the State providing 24.3 percent of the funding and county governments providing 32.2 percent. The federal government accounted for 9.4 percent of the revenue. Tuition and fees and revenues generated by the colleges accounted for the remaining funds. Over the last four years, State funding for local community colleges has increased by 12.3 percent as shown in Exhibit 12.1. The allocation of community college aid in fiscal 2007 for each county is provided in Exhibit 12.2. Exhibit 12.2 also indicates the community colleges that serve multiple counties.

Exhibit 12.1
Community College Aid Programs – Funding Trend
(\$ in Millions)

<u>Aid Program</u>	<u>FY 2003</u>	<u>FY 2007</u>	<u>Percent Change</u>
Cade Funding Formula	\$151.7	\$164.8	8.7%
Small College Grants	3.1	3.2	3.2
Statewide Programs ¹	2.4	4.8	102.9
Innovative Partnerships	1.8	2.9	59.1
ESOL Grants ²	2.4	2.5	5.1
Regular Retirement Plan	14.0	17.6	25.8
Optional Retirement Plan	8.0	10.0	25.2
Total	\$183.3	\$205.9	12.3%

¹ Funding includes the West Virginia/Garrett Reciprocity Grant and the Somerset Grant.

² ESOL: English for Speakers of Other Languages

Source: Department of Legislative Services

Exhibit 12.2
Community College Aid Programs
Fiscal 2007
(\$ in Thousands)

County	Cade Formula	Small Colleges	Innovative Partnerships	ESOL	Retirement	Total Aid
Allegany	\$4,023.2	\$880.0	\$150.0	\$0.0	\$1,023.4	\$6,076.7
Anne Arundel	22,845.9	0.0	150.0	218.5	2,922.6	26,137.0
Baltimore	31,761.2	0.0	450.0	293.2	4,582.1	37,086.4
Carroll	5,460.7	260.0	150.0	23.2	700.5	6,594.4
Cecil	3,573.8	260.0	150.0	6.7	481.9	4,472.4
Frederick	6,070.2	0.0	0.0	28.9	1,068.5	7,167.7
Garrett	1,773.7	760.0	78.7	0.0	263.6	2,876.1
Hagerstown	5,298.8	520.0	150.0	6.3	729.6	6,704.8
Harford	8,121.6	0.0	150.0	40.8	1,314.6	9,627.0
Howard	9,640.8	0.0	150.0	360.5	1,702.4	11,853.6
Montgomery	28,746.3	0.0	450.0	1,302.9	6,654.4	37,153.6
Prince George's	18,821.1	0.0	150.0	173.1	3,175.0	22,319.1
Chesapeake						
Caroline	1,062.6	60.5	34.9	0.1	172.0	1,330.2
Dorchester	786.2	44.8	25.8	0.1	127.3	984.2
Kent	414.5	23.6	13.6	0.0	67.1	518.9
Queen Anne's	1,194.1	68.0	39.2	0.1	193.3	1,494.7
Talbot	1,107.2	63.1	36.4	0.1	179.2	1,386.1
<i>Subtotal</i>	<i>4,564.7</i>	<i>260.0</i>	<i>150.0</i>	<i>0.5</i>	<i>738.9</i>	<i>5,714.1</i>
Southern Maryland						
Calvert	1,214.2	0.0	150.0	5.7	222.4	1,592.3
Charles	5,754.9	0.0	150.0	26.9	1,054.3	6,986.2
St. Mary's	1,723.5	0.0	150.0	8.1	315.7	2,197.3
<i>Subtotal</i>	<i>8,692.6</i>	<i>0.0</i>	<i>450.0</i>	<i>40.6</i>	<i>1,592.5</i>	<i>10,775.7</i>
Wor-Wic						
Somerset	583.9	27.9	16.1	0.5	70.0	698.4
Wicomico	3,435.7	164.4	94.8	3.0	411.8	4,109.7
Worcester	1,415.6	67.7	39.1	1.2	169.7	1,693.3
<i>Subtotal</i>	<i>5,435.2</i>	<i>260.0</i>	<i>150.0</i>	<i>4.7</i>	<i>651.5</i>	<i>6,501.4</i>
Statewide Programs	0.0	0.0	0.0	0.0	0.0	4,823.2
Total	\$164,829.6	\$3,200.2	\$2,928.7	\$2,500.0	\$27,601.5	\$205,883.2

Source: Department of Legislative Services

John A. Cade Funding Formula

The John A. Cade funding formula, established in 1996 and named for former Senator Cade in 1997, provides the majority of State aid for community colleges (not including the Baltimore City Community College). The State's contribution to each college is determined by per pupil State appropriations to selected four-year public institutions of higher education and full-time equivalent enrollment at the college.

Determining the Funding Level

The Cade formula bases per pupil community college funding on a set percentage of the previous year's State general fund appropriations per full-time equivalent student at selected four-year public institutions of higher education. Due to budget constraints in fiscal 2003, the percentage was reduced from 25 percent through the Budget Reconciliation and Financing Act of 2002 (Chapter 440). In fiscal 2003 and 2004, per pupil Cade formula funding equaled 23.1 percent of per pupil funding at four-year institutions, increasing to 24 percent in fiscal 2005 and returning to 25 percent in fiscal 2006. Chapter 333 of 2006 phased in enhancements to this percentage, beginning at 25.5 percent of the per pupil funding to four-year institutions in fiscal 2008 and reaching 30 percent in fiscal 2013.

The annual amount distributed through the Cade formula is calculated by computing the per pupil general fund appropriation to the four-year public institutions of higher education in the preceding fiscal year. The per pupil figure is then multiplied by the percent established in statute (25 percent in fiscal 2007) and the number of full-time equivalent students enrolled in community colleges in the second preceding fiscal year to determine a total formula amount.

Distribution

Under the Cade formula, each college's share of the total State funding is comprised of the three components discussed below.

- *Fixed Costs:* The fixed cost component, which accounts for 38 percent of formula funding, distributes aid to the colleges in the same proportion as the full formula provided aid in the previous fiscal year.
- *Marginal Costs:* The marginal cost component, which allocates 60 percent of formula funding, provides aid in the same proportion as the distribution of full-time equivalent students across the community colleges.

- *Size Factor:* The size factor component for small colleges, which accounts for the final 2 percent of formula funding, distributes aid to community colleges with full-time equivalent enrollments that are less than or equal to 80 percent of the statewide median enrollment. Chapter 330 of 2006 established a phase-out of size factor component funding for community colleges that outgrow the “small size” category. Size factor funding for these colleges gradually phases out over a five-year period.

Finally, if the sum of a college’s fixed costs, marginal costs, and size factor are less than its State aid in the previous fiscal year, a “hold harmless” component is added to the other components to bring the total State contribution up to the previous year’s level. Exhibit 12.3 shows the distribution of \$164.8 million in fiscal 2007 Cade formula funding for the 15 local community colleges. Cade formula funding grew by 4 percent from fiscal 2003 to 2007.

Special Provisions

By statute, counties are required to contribute no less than an amount equal to the amount provided in the previous fiscal year for their local community colleges. This maintenance of effort requirement was waived from 1992 to 1994 during the State’s fiscal crisis.

Baltimore City Community College became a State agency effective July 1, 1990, and the State assumed full funding for the institution. The State takeover occurred due to management inefficiencies, ineffective resource allocation, a lack of quality teaching, and a curriculum that did not meet the needs of the student body. Fiscal 2007 per pupil State funding for the college is equal to 66 percent of the per pupil funding at selected four-year public institutions of higher education (the same ones used for the Cade formula). Chapter 333 of 2006 mandates that this percentage increase to 71 percent by fiscal 2013, with annual increases to the percentage scheduled during a six-year phase-in period beginning in fiscal 2008. The fiscal 2007 general fund appropriation for Baltimore City Community College is \$35.1 million, with \$32.3 million coming from the 66 percent formula and \$2.8 million coming from other State grants.

History of Major Changes

1992 – Chapter 464 of 1991 abolished the State Board for Community Colleges and placed the responsibility for guiding and regulating community colleges with the Maryland Higher Education Commission.

1992-1994 – Due to the State’s fiscal crisis, local maintenance of effort requirements were waived from fiscal 1992 to 1994.

1996 – Chapters 6 and 7 created a new funding and distribution formula for community college aid. The formula established a phase-in of per pupil State funding for community colleges that would reach 25 percent of the per student State appropriations to selected four-year public institutions of higher education by fiscal 2002.

1997 – Chapters 330 and 331 renamed the formula established in 1996 the Senator John A. Cade Funding Formula.

1997 – Chapter 105 included “hold harmless” grants to compensate seven small community colleges that would have received less State funding under the Cade funding formula.

1998 – Chapters 568 and 569 required a minimum appropriation for the Baltimore City Community College.

2002 – The Budget Reconciliation and Financing Act of 2002 (Chapter 440) reduced total State aid provided under the John A. Cade Funding Formula. Full funding, at 25 percent of the per pupil State funding for four-year public institutions of higher education, was restored by fiscal 2006.

2004 – Chapter 192 removed the termination date for unrestricted small college grants to seven community colleges.

2006 – Chapter 333 phased in higher funding levels for community colleges. From fiscal 2008 to 2013, the funding formula increases from 25.5 to 30 percent of per pupil funding at selected four-year institutions. For Baltimore City Community College, funding increases from 66.5 to 71 percent of funding at four-year institutions over the same six-year period.

2006 – Chapter 330 provided a five-year phase-out of the size factor component of the Cade formula for community colleges that outgrow the small college designation.

Legal Reference

Education Article, Sections 16-305 and 16-308

Exhibit 12.3
John A. Cade Formula for Community Colleges
Fiscal 2007

College	FTE Students FY 2005	Fixed Costs ¹ 38%	Marginal Costs ² 60%	Size Factor ³ 2%	Total Direct Grants
Allegany	1,700.06	\$1,530,938	\$2,021,344	\$470,942	\$4,023,224
Anne Arundel	11,843.65	8,763,994	14,081,910	0	22,845,904
Baltimore	16,405.30	12,255,517	19,505,639	0	31,761,156
Carroll	2,493.12	2,025,471	2,964,280	470,942	5,460,692
Cecil	1,501.98	1,317,014	1,785,830	470,942	3,573,786
Chesapeake	1,925.06	1,804,857	2,288,866	470,942	4,564,664
Frederick	3,189.48	2,277,937	3,792,241	0	6,070,177
Garrett	526.77	676,444	626,321	470,942	1,773,707
Hagerstown	2,407.40	1,965,497	2,862,360	470,942	5,298,799
Harford	4,198.64	3,129,518	4,992,116	0	8,121,634
Howard	5,096.45	3,581,200	6,059,598	0	9,640,797
Montgomery	15,250.84	10,613,251	18,133,005	0	28,746,256
Prince George's	9,634.67	7,365,589	11,455,468	0	18,821,058
Southern Maryland	4,580.85	3,246,017	5,446,557	0	8,692,575
Wor-Wic	2,424.11	2,082,006	2,882,228	470,942	5,435,176
Total	83,178.38	\$62,635,250	\$98,897,763	\$3,296,594	\$164,829,605

¹Based on formula distribution the prior fiscal year.

²Based on the distribution of FTE students in the second prior fiscal year.

³Distributed equally among the colleges with less than 80 percent of the median FTE students in the second prior fiscal year. For fiscal 2007, 80 percent of the median equaled 2,551.58 FTE students.

Source: Department of Legislative Services

Community College Retirement

Like the retirement program for primary and secondary public school employees, all local community college employees are eligible to be members of one of two defined benefit plans offered by the State: the State Teachers' Retirement System (for employees hired prior to 12/31/79) or the State Teachers' Pension System (for employees hired after 1/1/80). These systems are maintained and operated by the State and guarantee employees a monthly retirement allowance based on a predetermined formula.

The State also offers a defined contribution plan, the Optional Retirement System, that is available to community college employees eligible for either of the other two systems. Under this system, employee and employer contributions and the performance of the investment products selected by the employee determine the monthly amount that the employee will receive. Employees of Baltimore City Community College are State employees with the same retirement benefits as other State and community college employees paid for by the State but not budgeted separately.

Distribution

For the two regular retirement programs, the State Retirement and Pension System makes an estimate of the employer retirement costs for the current fiscal year. This estimated lump-sum amount is included in the budget of the Maryland Higher Education Commission, with each college's share of the State's retirement appropriation estimated based on county-by-county salary data. There is no distribution of funds to the local community colleges. Under the optional retirement system, the State contribution totals 7.25 percent of an employee's salary.

In fiscal 2007, the State will pay \$17.6 million in community college retirement costs in the regular programs and \$10.0 million in the optional program. The cost of both programs has increased since fiscal 2003, with a 26 percent rise in regular plan costs and 25 percent in optional plan costs. Exhibit 12.4 shows the distribution of payments for the regular and optional retirement programs.

History of Major Changes

1927 – The State established the State Teachers' Retirement System.

1975 – The optional retirement program was established.

1980 – The Teachers’ Retirement System was closed to new members, and the State Teachers’ Pension System was established for new members and those members of the old system who desired to transfer.

1992-1994 – Due to the fiscal crisis, the State did not make retirement payments associated with general salary increases given to teachers from fiscal 1992 to 1994. Community colleges were responsible for these retirement costs.

1993 – The optional retirement program was expanded beyond the single vendor (TIAA/CREF) that was in place.

1995 – The State resumed paying 100 percent of community college teachers’ retirement costs beginning with fiscal 1996.

1998 – Chapter 530 provided a benefit enhancement for the members of the Employees’ Pension System and Teachers’ Pension System.

2006 – Chapter 110 provided a benefit enhancement for the members of the Employees’ Pension System and the Teachers’ Pension System and increased employee contributions to the systems to help pay for the enhancements.

Legal Reference

Education Article, Section 16-306 and State Personnel and Pensions Article, Section 21-308

Community College Construction Grant Program

State assistance for the construction or improvement of facilities at community colleges is administered in accordance with provisions of the Education Article and regulations approved by the Board of Public Works. The level of State support is based on two criteria:

- the portion of the project that meets the eligibility requirements for State support; and
- the State and local cost-sharing formula as defined in statute.

Regional colleges may receive up to 75 percent State support while other community colleges may receive from 50 to 70 percent State support, depending on the

wealth of the jurisdiction. (Baltimore City Community College is a State agency and therefore receives full funding for construction projects from the State.) Construction funds may be used to acquire, design, construct, renovate, and equip community colleges. Community colleges eligible for funding through the grant program receive \$43.7 million in fiscal 2007. Exhibit 12.5 shows the distribution of the funding to the colleges. Another \$11.8 million was funded as a separate project for the Takoma Park campus of Montgomery College, bringing the total funding to \$55.6 million.

Legal Reference

Education Article, Section 11-105(j)

Exhibit 12.4
Community College Teachers' Retirement
Fiscal 2007
(\$ in Thousands)

College	Regular Plan	Optional Plan	Total
Allegany	\$819.5	\$203.9	\$1,023.4
Anne Arundel	1,706.1	1,216.5	2,922.6
Baltimore	3,045.2	1,536.8	4,582.0
Carroll	398.6	301.8	700.4
Cecil	181.1	300.8	481.9
Chesapeake	491.5	247.5	739.0
Frederick	555.0	513.5	1,068.5
Garrett	158.5	105.1	263.6
Hagerstown	529.1	200.5	729.6
Harford	863.2	451.4	1,314.6
Howard	882.4	820.0	1,702.4
Montgomery	4,235.6	2,418.8	6,654.4
Prince George's	2,506.0	669.0	3,175.0
Southern Maryland	851.5	741.0	1,592.5
Wor-Wic	366.1	285.4	651.5
Total	\$17,589.4	\$10,012.0	\$27,601.4

Source: Department of Legislative Services

Exhibit 12.5
Authorized Capital Funding for Community Colleges
Fiscal 2007
(\$ in Thousands)

College	Total	Percent of State Total
Allegheny	\$220	0.5%
Anne Arundel	313	0.7
Baltimore	2,596	5.9
Carroll	1,251	2.9
Cecil	752	1.7
Chesapeake	3,810	8.7
Frederick	0	0.0
Garrett	242	0.6
Hagerstown	8,792	20.1
Harford	5,710	13.0
Howard	6,307	14.4
Montgomery	4,914	11.2
Prince George's	5,068	11.6
Southern Maryland	3,173	7.2
Wor-Wic	693	1.6
Subtotal	\$43,841	100.0%
Contingency Allowance	\$500	
Program Fund Balance	(\$594)	
Total	\$43,747	

Source: Department of Legislative Services

Other Community College Grant Programs

Community colleges receive additional State support through several smaller grant programs, which are summarized in Exhibit 12.6. In fiscal 2007, State aid through the programs is approximately \$12.9 million, a 43 percent increase from fiscal 2003.

Unrestricted Small College Grants

When the Cade formula was implemented in 1996, it changed the methodology for funding community colleges to distribute a greater share of State aid based on student enrollments and a lower share of State aid based on funding provided in prior years. As a result, the proportion of State aid provided to the smaller community colleges decreased. To account for the effects of the formula, Chapter 105 of 1997 provided additional grants to seven small colleges. In 1998, Chapter 570 required the State to provide a total of \$2 million in unrestricted grants to the small colleges from fiscal 1999 to 2002.

Chapter 584 of 2000 increased the sum of the grants to \$2.5 million in fiscal 2003 and provided for annual inflationary adjustments after fiscal 2003 that are tied to the percentage increase in funding for four-year public institutions. In fiscal 2007, three community colleges receive grants of \$520,000 and four receive grants of \$260,000. In addition to the Chapter 584 small college grants, Allegany College of Maryland and Garrett College receive additional unrestricted grants of \$360,000 and \$240,000, respectively, bringing the total for small college grants to \$3.2 million in fiscal 2007. The additional grants to Allegany and Garrett colleges, authorized by Chapter 350 of 2002, are not increased annually to reflect inflation.

Tuition Programs

For certain students, the State pays a portion or all of the difference between in-county tuitions at community colleges and out-of-county or out-of-state tuitions. In fiscal 2007, \$4.8 million is budgeted for these programs.

Statewide Programs (\$4.3 million)

State residents enrolled in community college instructional programs designated by the Maryland Higher Education Commission as health manpower shortage programs or statewide or regional programs pay in-county tuitions and fees. The State pays the colleges the difference between this amount and any applicable out-of-county or out-of-state tuition and fees.

West Virginia/Garrett Agreement (\$160,000)

Garrett College has a reciprocity agreement with West Virginia under which the State is required to pay to Garrett College an amount equal to the formula State support per full-time equivalent student for each full-time equivalent student from West Virginia at the college.

Somerset Grant (\$353,000)

The State also provides funds for Somerset County residents to attend Wor-Wic Community College at in-county tuition rates. The State pays half of the applicable out-of-county fee, provided that Somerset County pays the other half.

Innovative Partnerships for Technology Program

Initially established by Chapter 601 of 1998, this program provided State matching funds for technology donations made to community college campuses from fiscal 1999 to 2002. Chapter 413 of 2002 restarted the program, beginning with donations made during fiscal 2003. Each community college campus may earn up to \$300,000 in State matching funds for donations made from fiscal 2003 to 2006. The Budget Reconciliation and Financing Act of 2005 deferred a portion of the technology grants that were due in fiscal 2006 until fiscal 2007. The State budget includes \$2.9 million for the program in fiscal 2007.

English for Speakers of Other Languages Grants

This program provides additional State funding to community colleges based on their enrollments of students who speak English as a second language. Community colleges are entitled to receive grants of \$800 per qualified full-time equivalent student. However, colleges received less than \$800 per eligible student from fiscal 2004 to 2007 because the funding level for the program was capped at \$2.5 million annually. To address the shortfall, Chapter 262 of 2006 increased the State funding limit for speakers of other languages to \$6.0 million for fiscal 2008 and subsequent years.

Students with Disabilities Grants

Chapter 244 of 2006 required the Maryland Higher Education Commission to establish and administer a grant program for students with disabilities. In conjunction with the Department of Disabilities, the commission will establish a competitive grant process to award grants for supplemental services and supports for students with disabilities.

Exhibit 12.6
Funding for Other Community College Grant Programs
Fiscal 2007

College	Small College Grants¹	Statewide Programs²	WV/Garrett Reciprocity Grant	Somerset Grant	Innovative Partnerships for Technology	English for Speakers of Other Languages
Allegany	\$880,042	\$0	\$0	\$0	\$150,000	\$0
Anne Arundel	0	0	0	0	150,000	218,492
Baltimore	0	0	0	0	450,000	293,185
Carroll	260,021	0	0	0	150,000	23,241
Cecil	260,021	0	0	0	150,000	6,705
Chesapeake	260,021	0	0	0	150,000	452
Frederick	0	0	0	0	0	28,948
Garrett	760,042	0	160,000	0	78,699	0
Hagerstown	520,042	0	0	0	150,000	6,324
Harford	0	0	0	0	150,000	40,765
Howard	0	0	0	0	150,000	360,477
Montgomery	0	0	0	0	450,000	1,302,941
Prince George's	0	0	0	0	150,000	173,086
Southern Maryland	0	0	0	0	450,000	40,648
Wor-Wic	260,021	0	0	353,219	149,999	4,735
Total	\$3,200,210	\$4,310,000	\$160,000	\$353,219	\$2,928,698	\$2,499,999

¹Includes grants of \$360,000 for Allegany College of Maryland and \$240,000 for Garrett College.

²A portion of the funding is allocated to all community colleges.

Source: Department of Legislative Services

For more detailed information on the organization and financing of the State's community colleges, see *Government Services in Maryland*, Volume II of the Legislative Handbook Series.

Chapter 13. Public Safety State Aid

Local governments assume the primary responsibility for most public safety services in Maryland. County and municipal governments spent \$2.2 billion on public safety services in fiscal 2004, accounting for 10.7 percent of county spending and 20.2 percent of municipal spending. Public safety accounts for the third largest component of county spending and the second largest component of municipal spending. To assist local governments fund public safety services, the State provides over \$106.3 million in financial assistance in fiscal 2007. Most of this funding is targeted to police protection, with funding for fire protection accounting for less than 10 percent of State public safety aid. Over the last four years, State funding for local public safety agencies has increased by 17.9 percent as shown in Exhibit 13.1. The allocation of public safety aid in fiscal 2007 for each county is provided in Exhibit 13.2.

Exhibit 13.1
Public Safety Aid Programs – Funding Trend
(\$ in Millions)

<u>Aid Program</u>	<u>FY 2003</u>	<u>FY 2007</u>	<u>Percent Change</u>
Police Aid Formula	\$62.1	\$64.9	4.4%
Targeted Crime Grants	12.6	12.5	-0.9
Vehicle Theft Prevention	0.8	2.0	159.3
Other Police Grants	1.6	3.4	109.7
Fire Aid Formula	10.0	10.0	0.0
911 Emergency Grant	3.0	13.6	350.6
Total	\$90.2	\$106.3	17.9%

Source: Department of Legislative Services

Police Protection

State and local governments share law enforcement responsibilities in most counties with local sheriffs and police departments acting as the primary local law enforcement agency and the State Police focusing on traffic management and specialized services. Under the Maryland Constitution, each county and Baltimore City is required to elect a sheriff, who is by common law the primary public safety officer of the

jurisdiction. State law also authorizes counties to provide for a separate county police force. Local governments maintaining county police forces include Anne Arundel, Baltimore, Howard, Montgomery, and Prince George's counties, along with Baltimore City. The law is silent on the specific duties of these county law enforcement agencies. In practice, county police departments have become the primary law enforcement agencies in these counties. The sheriffs departments in these counties primarily support judicial functions such as courtroom security and service of process. In fiscal 2004, the most recent data available, county governments and Baltimore City spent \$980.2 million on police protection and municipal governments spent \$132.1 million.

Although the responsibility for funding local law enforcement agencies lies primarily with local governments, the State supports local law enforcement activities by providing two different types of grants to local jurisdictions. The largest portion of State funding is allocated through a statutory formula (State Aid for Police Protection Fund) with smaller amounts distributed through targeted grants (i.e. drug enforcement grants, community policing grants, violent crime grants, S.T.O.P. gun violence grants, and vehicle theft prevention grants). In fiscal 2007, State assistance to local law enforcement agencies totals \$82.7 million. This does not include \$1.9 million provided by the State through local jails and detention centers grants.

Fire Protection

Funding for fire protection in Maryland comes from three basic sources: fundraising by individual fire companies, local government contributions, and State grants. Information on the amount of funds raised by individual fire companies is not known. In many counties, fire companies rely heavily on local fundraising activities as a revenue source. In fiscal 2004, county governments and Baltimore City spent \$562.5 million on fire protection and municipal governments spent \$26.4 million. State funding for local fire protection totals around \$11.5 million in fiscal 2007. State funding is provided through the Senator Amoss Fire, Rescue, and Ambulance Fund and the Volunteer Company Assistance Fund. These State programs assist with the purchase of fire and rescue apparatus, capital equipment, and facilities.

For more detailed information on the organization and fiscal relationship between the State and the counties with regard to the State's public safety systems, see *Government Services in Maryland*, Volume II of the Legislative Handbook Series.

Exhibit 13.2
State Aid for Local Public Safety Programs
Fiscal 2007

County	Police Aid	Fire Aid	Targeted/Other	Total Aid	Per Capita Aid
Allegany	\$870,650	\$228,445	\$0	\$1,099,095	\$15
Anne Arundel	6,651,544	811,974	0	7,463,518	15
Baltimore City	87,764	964,733	10,014,982	11,067,479	17
Baltimore	9,750,338	1,194,580	0	10,944,918	14
Calvert	776,999	200,000	0	976,999	11
Caroline	320,172	200,000	0	520,172	16
Carroll	1,581,402	264,315	0	1,845,717	11
Cecil	907,634	204,643	0	1,112,277	11
Charles	1,214,688	230,944	0	1,445,632	10
Dorchester	356,451	215,645	0	572,096	18
Frederick	2,229,670	361,117	0	2,590,787	12
Garrett	238,420	200,000	0	438,420	15
Harford	2,695,398	373,927	0	3,069,325	13
Howard	3,087,727	386,427	0	3,474,154	13
Kent	202,138	206,306	0	408,444	21
Montgomery	15,025,983	1,304,955	0	16,330,938	18
Prince George's	13,977,982	1,116,626	4,004,358	19,098,966	23
Queen Anne's	402,486	200,000	0	602,486	13
St. Mary's	820,778	200,000	0	1,020,778	11
Somerset	243,041	210,300	0	453,341	18
Talbot	403,417	215,373	0	618,790	17
Washington	1,387,437	233,367	0	1,620,804	11
Wicomico	962,109	226,415	0	1,188,524	13
Worcester	667,675	249,908	0	917,583	19
Unallocated	0	0	17,443,078	17,443,078	3
Total	\$64,861,904	\$10,000,000	\$31,462,418	\$106,324,322	\$19

Source: Department of Legislative Services

State Aid for Police Protection Fund (Police Aid Formula)

Financial grants are made to the counties and qualifying municipal corporations for the exclusive purpose of providing adequate police protection. They are provided under a State Aid for Police Protection Fund, which was established in 1967. Qualifying expenditures under this fund include salaries and wages, other operating expenses, capital outlays from current operating funds, and properly identifiable debt service paid for police protection. Expenditures for sheriffs and constables are included only to the extent that such officers perform police protection functions. Expenditures for traffic control, park police, and a central alarm system are included. Expressly prohibited are expenditures for collecting from or servicing parking meters and for jail construction or operating costs.

Municipal corporations receive a share of these grants. To qualify for grants, a municipal corporation must have a minimum expenditure for police protection of \$5,000 annually and employ at least one qualified full-time police officer or have a minimum expenditure for police protection of \$80,000 annually and employ at least two qualified part-time officers from a county police department or county sheriff's department.

Baltimore City was excluded from the formula beginning in fiscal 1992 due to the State's assumption of the Baltimore City Detention Center. Baltimore City would have received about \$38 million in police aid in fiscal 1992. Beginning with fiscal 1997, Chapters 587 and 588 of 1996 provided the city with a supplemental grant of 50 cents per capita for police aid. The legislation authorizing the State assumption of the city detention center also provided for State operation of a central booking facility for Baltimore City by fiscal 1995. The fiscal 2007 State appropriation for the Baltimore City Detention Center and the central booking facility totals \$121.9 million.

Distribution

Essentially, the police aid formula distributes funds on a per capita basis. As illustrated in Exhibit 13.3, the components of the current formula are as follows:

Share in Basic Expenditure

The State pays to each subdivision any police expenditures over 0.09 percent of their wealth base (net taxable income + adjusted assessable base) up to \$6 per capita. Inflation has made this calculation obsolete because 0.09 percent of every jurisdiction's wealth base exceeds the \$6 cap.

Exhibit 13.3
State Aid for Police Protection (Police Aid Formula) – Fiscal 2007

County	Share over Basic Expenditure Grant	Minimum Grant	Incentive Grant	Supplemental Grant	Additional Grant	Municipal Grant	Subtotal	Crimelab Reduction	Grand Total
Allegany	\$257,600	\$100,561	\$147,200	\$184,000	\$73,600	\$124,200	\$887,161	\$16,511	\$870,650
Anne Arundel	4,833,125	0	0	1,306,250	522,500	208,800	6,870,675	219,131	6,651,544
Baltimore City	0	0	0	310,950	0	0	310,950	223,186	87,764
Baltimore	7,283,450	0	0	1,968,500	787,400	0	10,039,350	289,012	9,750,338
Calvert	308,000	0	176,000	220,000	88,000	14,400	806,400	29,401	776,999
Caroline	108,850	0	62,200	77,750	31,100	48,600	328,500	8,328	320,172
Carroll	585,200	0	334,400	418,000	167,200	127,800	1,632,600	51,198	1,581,402
Cecil	337,050	0	192,600	240,750	96,300	72,000	938,700	31,066	907,634
Charles	484,050	0	276,600	345,750	138,300	18,000	1,262,700	48,012	1,214,688
Dorchester	106,750	0	61,000	76,250	30,500	91,800	366,300	9,849	356,451
Frederick	786,450	0	449,400	561,750	224,700	280,800	2,303,100	73,430	2,229,670
Garrett	0	74,500	59,600	74,500	29,800	9,000	247,400	8,980	238,420
Harford	1,771,500	0	0	590,500	236,200	172,800	2,771,000	75,602	2,695,398
Howard	2,230,400	0	0	697,000	278,800	0	3,206,200	118,473	3,087,727
Kent	69,300	0	39,600	49,500	19,800	30,600	208,800	6,662	202,138
Montgomery	11,670,575	0	0	2,381,750	1,167,058	246,600	15,465,983	440,000	15,025,983
Prince George's	10,601,150	0	0	2,163,500	1,060,115	504,000	14,328,765	350,783	13,977,982
Queen Anne's	158,550	0	90,600	113,250	45,300	12,600	420,300	17,814	402,486
St. Mary's	329,700	0	188,400	235,500	94,200	1,800	849,600	28,822	820,778
Somerset	0	65,250	52,200	65,250	26,100	39,600	248,400	5,359	243,041
Talbot	122,850	0	70,200	87,750	35,100	106,200	422,100	18,683	403,417
Washington	479,500	0	274,000	342,500	137,000	192,600	1,425,600	38,163	1,387,437
Wicomico	312,200	0	178,400	223,000	89,200	189,000	991,800	29,691	962,109
Worcester	180,600	0	103,200	129,000	51,600	237,600	702,000	34,325	667,675
Total	\$43,016,850	\$240,311	\$2,755,600	\$12,862,950	\$5,429,873	\$2,728,800	\$67,034,384	\$2,172,480	\$64,861,904

Source: Department of Budget and Management, Department of Legislative Services

Share over Basic Expenditure

The State pays each subdivision 25 percent of the police expenditures over \$6 per capita; however, State aid is capped at different per capita amounts depending on a county's population density. In general, higher density jurisdictions receive more aid.

Minimum Grant

The State guarantees a minimum \$2.50 per capita grant to each subdivision (based on aid received under the first two components described above). In addition, no subdivision whose population is less than the 1969 estimate, the first year of the grant, receives less police aid than it received in any year since 1969, provided the subdivision has not reduced its local expenditures for police protection since any prior high-grant year. The minimum grant applies to Allegany, Garrett, and Somerset counties in fiscal 2007.

Incentive Grant

The State pays each subdivision with a population density under 500 per square mile a grant of \$2 per capita. In fiscal 2007, this grant impacts the following counties: Allegany, Calvert, Caroline, Carroll, Cecil, Charles, Dorchester, Frederick, Garrett, Kent, Queen Anne's, St. Mary's, Somerset, Talbot, Washington, Wicomico, and Worcester.

Supplemental Grant

With the passage of Chapters 587 and 588 in 1996, the State pays each county and municipal corporation a grant of \$2.50 per capita, while Baltimore City receives 50 cents per capita. Before the legislation, the supplemental grant was \$2.00 per capita, Baltimore City received no aid, and the counties shared the grant with municipal corporation based on a locally negotiated formula. In addition, Chapter 265 of 2006 requires the State to pay to those subdivisions bordering the District of Columbia (Montgomery and Prince George's counties) 50 cents for each county resident living within one mile of the border; this supplemental grant will begin in fiscal 2008.

Additional Grant

The State pays each subdivision an additional grant equal to the greater of 10 percent of the total grants (excluding the supplemental grant) or \$1 per capita.

Minimum Payment (Hold Harmless) Grant

The State pays any subdivision, whose total police aid grant in the current year is less than its 1984 grant, an amount equal to the difference between its current year grant and the 1984 grant. No county will receive this grant in fiscal 2007.

Municipal Sworn Officer Grant

Each qualifying municipal corporation (excluding Baltimore City) receives \$1,800 for each sworn police officer actually employed on a full-time basis.

Payments (with the exception of the supplemental grant and sworn officer grants) made to each county are also apportioned between the county and its qualifying municipal corporation on the basis of relative police expenditures.

Crime Laboratory Reduction

The Budget Reconciliation and Financing Act of 2003 (Chapter 203 of 2003) directs the State to recover 30 percent of the State crime laboratory's costs related to evidence-testing services from local jurisdictions. A portion of the reduction is based on each jurisdiction's share of the total Part I crime in the State, and the remaining portion is based on the assessable wealth of each jurisdiction. Part I crimes include murder, forcible rape, robbery, assault, breaking and entering, larceny-theft, and motor vehicle theft. The crime laboratory reduction for fiscal 2007 totals \$2.2 million.

Trends

In the first year of the program (fiscal 1969), the State distributed \$15.8 million in police aid to local governments; in fiscal 2007, State funding under the program totals \$64.9 million, after the crime laboratory reduction. Over the past 10 years, total State funding under this program has increased by \$8.3 million, representing a 14.7 percent increase. Moreover, the fiscal 2007 grant represents a \$1.0 million, or a 1.5 percent increase, from the prior year.

Legal Reference

Article 41, Sections 4-401 - 4-406

Targeted Crime Grants

To combat specific criminal activity, the State has established several targeted crime grant programs. These programs range from enhancing community policing, expanding police foot patrols, improving drug enforcement measures, reducing gun violence and violent crime, providing body armor for law enforcement officers, and investigating domestic violence.

Distribution

State funding for targeted crime grants totals \$12.5 million in fiscal 2007. Most of the funds are targeted to Baltimore City and Prince George's County, which lead the State in violent crime. Funding for body armor, domestic violence, and gun violence grants are provided on a statewide basis. Baltimore City and Prince George's County have great flexibility in the use of the grant funding. Other than approval of plans for using violent crime grants, there are no restrictions or requirements attached to these targeted grants. Exhibit 13.4 shows the level of State funding for these programs in fiscal 2007.

Police Foot Patrol Grant

This grant provides \$2.8 million to Baltimore City to deploy additional police officers on the city's streets for the purpose of improving communication with city residents and deterring criminal activity. Funding for this grant began in fiscal 1987.

Community Policing Grant

This grant provides \$2.0 million to Baltimore City for the purpose of enhancing community policing programs. Funding for this grant began in fiscal 1996.

Violent Crime Grant

This grant provides \$2.5 million to Baltimore City and \$2.3 million to Prince George's County for the purpose of combating violent crime. The jurisdictions must submit proposals outlining their intended use of the funds for approval by the Secretary of the State Police. Funding for this grant began in fiscal 1993.

Drug Enforcement Grant

This grant provides \$1.7 million to Prince George's County to fight narcotics trafficking. Funding for this grant began in fiscal 1989.

Domestic Violence Grant

This grant began in fiscal 2001 with an appropriation of \$200,000 in federal funds to support law enforcement agencies' enforcement and investigation of domestic violence incidents in rural areas of Maryland; funding has remained at \$200,000.

S.T.O.P. Gun Violence Grant

This grant provides \$1.0 million in funding to local law enforcement agencies and State's Attorneys offices for the purpose of curtailing gun violence in Maryland. The grant was established by the Responsible Gun Safety Act of 2000 and was first funded in fiscal 2002 when the legislature appropriated \$1.0 million for the program. The Cease Fire Council of the Maryland State Police administers the grant.

Body Armor Grant

This grant provides \$50,000 to law enforcement agencies for the purchase of protective body armor for police officers.

Legal Reference

Annual Budget Bill

Exhibit 13.4
Targeted Crime Grant Funding
Fiscal 2007

	<u>FY 2007</u>	<u>Percent of Total</u>
Baltimore City		
Foot Patrol	\$2,800,000	22.4%
Violent Crime	2,500,000	20.0
Community Policing	<u>2,000,000</u>	<u>16.0</u>
Subtotal	\$7,300,000	58.4%
Prince George's County		
Drug Enforcement	1,662,500	13.3%
Violent Crime	<u>2,341,858</u>	<u>18.7</u>
Subtotal	\$4,004,358	32.0%
Statewide		
Body Armor	50,000	0.4%
Domestic Violence	200,000	1.6
S.T.O.P. Gun Violence	<u>955,500</u>	<u>7.6</u>
Subtotal	\$1,205,500	9.6%
Total	\$12,509,858	100.0%

Source: Department of Legislative Services

Vehicle Theft Prevention Program

In 1992, the Governor's Commission on Vehicle Theft and Related Crimes was established to address the rise in vehicle thefts. Based on the commission's recommendations, legislation was enacted in 1994 that established the Vehicle Theft Prevention Council and the Vehicle Theft Prevention Fund (Chapter 459 of 1994). Both the council and fund were to terminate on July 1, 1997; however, the General Assembly twice extended the sunset date to July 1, 2000 (Chapter 434 of 1997), and to July 1, 2003 (Chapter 338 of 2000). The Budget Reconciliation and Financing Act of 2002 (Chapter 440 of 2002) repealed the sunset date.

The Vehicle Theft Prevention Program provides grants to law enforcement agencies, prosecutors' offices, local governments, and community organizations for the purpose of establishing vehicle theft prevention, deterrence, and educational programs and enhancing prosecution and adjudication of vehicle theft crimes. Funding for the

program is provided through the Vehicle Theft Prevention Fund, a nonlapsing dedicated fund that receives up to \$2.0 million a year from penalties collected for lapsed or terminated insurance coverage. Additional funds are received from inspection fees collected for salvaged vehicle verification. State funding for this program totals \$2.0 million in fiscal 2007.

Distribution

The Vehicle Theft Prevention Council, a unit within the Maryland State Police, assists in the prevention and deterrence of vehicle theft and related crime. One of the council's functions is to make grants to support the development of vehicle theft prevention programs in local jurisdictions. The council targets these funds to jurisdictions that have the highest auto theft rates in the State. With 13 appointed members, the council includes representatives of law enforcement, State's attorneys' offices, automobile insurers, State government, and the general public. The council grants awards based upon the review of applications submitted by various law enforcement and community organizations. Exhibit 13.5 shows grants awarded for fiscal 2005.

Legal Reference

Public Safety Article, Sections 2-701 - 2-703
Transportation Article, Section 17-106

Other Public Safety Grants

In recent years, the State has created several public safety grant programs to deal with specific issues within local law enforcement agencies. These programs include law enforcement and correctional officers training grants to reimburse these officers for training and equipment expenses. Moreover, the State awards funds from the School Bus Safety Enforcement Fund to local governments to offset costs associated with enforcing the State's law against vehicles following a school bus too closely or failing to stop for a school bus that is picking up or discharging passengers. State funding in fiscal 2007 for the law enforcement and correctional officers training grants and the School Bus Safety Enforcement Fund is \$100,000 and \$550,000, respectively. Furthermore, the Baltimore City State's Attorney's Office will receive \$2.0 million in fiscal 2007 to assist in the prosecution of gun offenses and repeat violent offenders, and the city will receive an additional \$730,000 to offset expenses associated with operating its war room.

Exhibit 13.5
Vehicle Theft Prevention Program
Fiscal 2005 Allocation

Anne Arundel County

Anne Arundel County Police Department	\$50,000
Annapolis City Police Department	20,000

Baltimore City

Baltimore City State's Attorney	45,000
Northwest Citizens' Patrol Group	15,000

Baltimore County

Baltimore County Police Department	300,000
Baltimore County State's Attorney	85,000

Charles County

Charles County Sheriff's Office	125,000
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Howard County

Howard County Police Department	100,000
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Montgomery County

Montgomery County Police Department	280,000
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Prince George's County

Prince George's County Police Department	355,000
Prince George's County State's Attorney's Office	231,100
Kettering Civic Federation	4,000
Take Charge of Your Life Juvenile Diversion Program, Inc.	75,000
Hyattsville Police Department	47,000

Maryland State Agencies

Maryland State Police – Auto Theft Unit	60,000
MD Community Crime Prevention Institute	14,000
Vehicle Theft Prevention Council – Public Awareness	98,000

MD/DC/DE Broadcasters' Association	<u>100,000</u>
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Total	\$2,004,100
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Source: Maryland Vehicle Theft Prevention Council, 2004 Annual Report

Senator Amoss Fire, Rescue, and Ambulance Fund

The State provides formula grants to counties, Baltimore City, and qualifying municipal corporations for local and volunteer fire, rescue, and ambulance services through the Senator William H. Amoss Fire, Rescue, and Ambulance Fund (fire aid formula) established in 1985. Chapters 100 and 101 of 2005 transferred the functions, powers, duties, assets, and liabilities of the fund from the Department of State Police to the Maryland Emergency Management Agency. Although the statute specifies the distribution of the funds, the amount available for distribution depends upon the amount provided in the annual State budget. Part of the revenues from a surcharge on vehicle registrations funds these grants.

Distribution

Funding is based on each county's proportionate share of property tax accounts (including vacant unimproved properties) relative to the statewide total, as certified by the State Department of Assessments and Taxation.

Qualified municipal corporations in the county are guaranteed to receive a percentage of funds received by the county equal to one-half of the proportion that the municipalities' expenditures bear to the county's expenditures. To be eligible for the distribution, a municipal corporation must spend more than \$25,000 from municipal revenues for fire protection. Each county is guaranteed a minimum 2 percent share of the total funds, in addition to the amounts that are distributed to qualifying municipal corporations.

Special Provisions

Counties and municipal corporations must allocate their State grants to departments, stations, or companies, including volunteer companies, based on need. Funds may be used for acquisition or rehabilitation of fire or rescue apparatus or capital equipment or for rehabilitation of facilities to house equipment. State grants may not be used for administrative or operating costs; fuel, utility or routine maintenance costs of facilities or equipment; fundraising; insurance; land acquisition; 9-1-1 emergency service; or debt service. To be eligible for State grants, a county must maintain a level of local spending for fire protection services equal to the average expenditure for the three preceding fiscal years. Allowable local expenditures may include local appropriations for fire protection, rescue, and ambulance services (less salaries, benefits, and administrative costs) and bonds to finance facilities housing fire protection, rescue, and ambulance services equipment. In Carroll County, allowable local expenditures exclude loans to volunteer companies secured by the volunteer company's indebtedness, if the loan is

derived from bonds to finance facilities housing fire protection, rescue, and ambulance services equipment. County expenditures for fire protection must at least match the State aid.

Trends

Fire, rescue, and ambulance service aid from the Amoss Fund increased from \$4.2 million in fiscal 1986 to \$10.0 million in fiscal 2000. Since fiscal 2000, State funding for the program has remained constant. Exhibit 13.2 shows the allocation for fiscal 2007.

Legal Reference

Public Safety Article, Sections 8-101 - 8-106.

Other Fire Grant Programs

In addition to formula grants, the State supplements funding to volunteer fire companies through the Volunteer Company Assistance Fund, a special, nonlapsing fund that assists volunteer fire, rescue, and ambulance companies with the cost of purchasing or refurbishing fire and rescue equipment and updating or replacing facilities needed to house equipment. A volunteer company receiving a grant must provide at least a 30 percent match of the award amount, and loans from the fund may only be awarded to assist with up to 75 percent of the total cost of equipment or facilities being purchased. The Budget Reconciliation and Financing Act of 2004 merged the Emergency Assistance Trust Account and the Low Interest Revolving Loan Fund into the Volunteer Company Assistance Fund. The Governor may include in the State budget each year an appropriation to the fund, after consultation with the Maryland State Firemen's Association. Any investment earnings of the Volunteer Company Assistance Fund must be credited to the fund. In addition, repayments on loans from the Volunteer Company Assistance Fund must be placed in the fund and made available to fund grant or loan requests. For the purpose of making loans under these provisions, the association must develop loan criteria and loan terms (including interest rates) and recommend the approval or denial of loans. The State's fiscal 2007 budget includes \$1.5 million for this program.

Legal Reference

Public Safety Article, Sections 8-201 - 8-206

9-1-1 Emergency Telephone System

Maryland's 9-1-1 emergency telephone system statute was enacted in 1979. The law requires all counties and Baltimore City to establish an operational 9-1-1 system and creates the 9-1-1 Trust Fund to assist counties in funding these systems. In 1990, the law was amended to require all counties and Baltimore City to have enhanced systems in place by July 1, 1995. Enhanced systems are capable of providing the street address of the caller. In addition, Chapter 451 of 2003 required the establishment of wireless enhanced 9-1-1 service (also known as Wireless Phase II) in the State. All Maryland counties have enhanced 9-1-1 systems and are also Wireless Phase II operational. The Emergency Number Systems Board defines operational as having all the necessary equipment and having 50 percent or more of the carriers in that particular county transmitting caller location information.

Distribution

Oversight of local 9-1-1 systems is provided by the Emergency Number Systems Board which reports to the Secretary of Public Safety and Correctional Services. The board administers both local and State 9-1-1 fees which are placed on telephone subscribers' monthly statements (25 cents State/up to 75 cents local). The 25-cent State fee goes into a trust fund that provides reimbursements to counties for enhancements/improvements to their systems. Counties may only use trust fund money to supplement county spending levels for 9-1-1 maintenance or operations and may not use trust fund money to supplant such spending. The funding provided by the collection of the county "additional fee" can be used to defray the operational and personnel costs associated with providing 9-1-1 service in that jurisdiction. The county fee on average covers about 50 percent of the actual 9-1-1 center operating costs. The remaining funding must be covered by local revenues. State funding to local 9-1-1 emergency systems totals \$13.6 million in fiscal 2007.

Legal Reference

Public Safety Article, Sections 1-301 - 1-312

Local Jails and Detention Centers Grant Program

In general, correctional facilities in the State are handled through a bifurcated system, with short-term inmates held at the local level and those with longer sentences incarcerated by the State. The State prison system incarcerates prisoners with sentences of more than a year. This minimum sentence was raised from three months in 1986.

Judges may sentence convicts to local detention centers if the sentence is 18 months or less. If the sentence is a year or less, the inmate must be assigned to a local facility. Furthermore, local correctional systems handle those inmates awaiting trial and those awaiting transfer to State or federal custody.

The State reimburses counties for part of their incarceration costs, on a per diem basis, after a person has served 90 days. Persons sentenced to such a term in Baltimore City are generally incarcerated in State Division of Correction facilities. The Baltimore City Detention Center, a State-operated facility, is used primarily for pretrial detentions.

In order to meet the needs of growing inmate populations at the local level, the State pays a minimum of 50 percent of eligible costs for construction or expansion of local detention centers. If a county can demonstrate that a portion of the expansion is necessary to house additional offenders serving between 6- and 12-month sentences due to sentencing changes made by Chapter 128 of 1986, then the State provides 100 percent of funding for that portion of the project. The Department of Public Safety and Correctional Services processes the applications for State funding. The department determines the portion of the project cost eligible for State participation. State funds may only be used for costs directly related to incarceration.

As shown in Exhibit 13.6, from fiscal 2003 through 2007, the General Assembly authorized \$51.4 million for capital projects at local detention facilities. Of this amount, \$1.9 million is authorized in fiscal 2007.

Exhibit 13.6
Local Correctional Facilities
Authorized Capital Funding
Fiscal 2003-2007

County	Total
Allegany	\$0
Anne Arundel	0
Baltimore City*	0
Baltimore	33,089,000
Calvert	336,000
Caroline	0
Carroll	0
Cecil	0
Charles	336,000
Dorchester	63,000
Frederick	364,000
Garrett	518,000
Harford	853,000
Howard	0
Kent	0
Montgomery	9,090,000
Prince George's	2,094,000
Queen Anne's	0
St. Mary's	0
Somerset	0
Talbot	0
Washington	94,000
Wicomico	0
Worcester	4,559,000
Total	\$51,396,000

*Baltimore City's detention center is operated by the State

Source: Department of Legislative Services

Chapter 14. Transportation State Aid

While the State and local governments share the responsibility for providing transportation services and facilities in Maryland, the State retains the central role in planning and directing transportation projects and programs. The State constructs and maintains most of the State's major roads outside of Baltimore City, owns and operates the State's two largest airports (Baltimore/Washington International Thurgood Marshall Airport in Anne Arundel County and Martin State Airport in Baltimore County), operates the Port of Baltimore, provides commuter rail service, subsidizes the Washington Metropolitan Area Transit Authority's operations in Montgomery and Prince George's counties, and owns and operates the Mass Transit System that serves the Baltimore metropolitan area.

The counties and municipal corporations construct and maintain local roads and own and operate small regional airports. Montgomery and Prince George's counties augment the Washington metropolitan area mass transit system and several other local governments provide modest transit services. Baltimore City constructs and maintains all roads, except Interstate 95, within the city.

In fiscal 2007, local governments received \$584.9 million in State aid for the construction and maintenance of local roads and \$7.1 million for special transit grants. Exhibit 14.1 shows the change in State aid to local governments for transportation purposes over the last four years. Exhibit 14.2 shows the amount of State aid for local transportation programs in each county in fiscal 2007. For more information on the organization and fiscal relationship between the State and the local governments with regard to the State's transportation system, see *Government Services in Maryland*, Volume II of the Legislative Handbook Series.

Exhibit 14.1 Transportation Aid Programs – Funding Trend (\$ in Millions)

<u>Aid Program</u>	<u>FY 2003</u>	<u>FY 2007</u>	<u>Percent Change</u>
Highway User Revenues	\$433.2	\$584.9	35.0%
Elderly/Disabled Grants	4.7	4.3	-7.6
Paratransit Grants	2.4	2.8	16.4
Total	\$440.3	\$592.0	34.5%

Source: Department of Legislative Services

Exhibit 14.2
State Aid for Local Transportation Programs
Fiscal 2007

County	Highway			Total Aid	Per Capita
	User Revenues	Elderly/Disabled	Paratransit		Aid
Allegany	\$7,927,966	\$141,868	\$66,387	\$8,136,221	\$110
Anne Arundel	33,829,854	246,559	403,757	34,480,170	67
Baltimore City	238,838,723	380,203	0	239,218,926	376
Baltimore	45,661,101	396,742	0	46,057,843	59
Calvert	6,864,190	127,294	73,859	7,065,343	80
Caroline	5,386,685	120,492	0	5,507,177	173
Carroll	15,264,100	151,375	0	15,415,475	91
Cecil	8,418,577	134,380	0	8,552,957	87
Charles	10,541,777	137,924	170,673	10,850,374	78
Dorchester	5,981,072	123,005	48,528	6,152,605	196
Frederick	19,993,665	159,523	446,462	20,599,650	93
Garrett	6,806,444	119,938	0	6,926,382	232
Harford	17,451,201	170,760	65,994	17,687,955	74
Howard	16,710,990	162,892	417,345	17,291,227	64
Kent	3,089,432	120,492	0	3,209,924	161
Montgomery	47,917,920	379,974	0	48,297,894	52
Prince George's	41,455,491	333,580	450,000	42,239,071	50
Queen Anne's	6,129,443	122,343	0	6,251,786	137
St. Mary's	8,166,830	131,354	131,027	8,429,211	87
Somerset	3,587,757	117,716	80,881	3,786,354	147
Talbot	4,929,948	120,491	0	5,050,439	142
Washington	12,789,857	147,253	182,564	13,119,674	92
Wicomico	9,752,046	137,402	80,881	9,970,329	110
Worcester	7,416,091	132,229	187,642	7,735,962	159
Total	\$584,911,160	\$4,315,789	\$2,806,000	\$592,032,949	\$106

Source: Department of Legislative Services

Highway User Revenues

Since the early 1900s, the State has shared motor vehicle-related revenues with the counties and Baltimore City. Initially these revenues consisted of vehicle registration fees. In 1927, when the gasoline tax increased from 2 to 4 cents per gallon, the State began sharing these taxes with local governments. In 1968, the General Assembly approved legislation essentially establishing the current formula for apportioning the county and municipal shares of highway user revenues. The legislation also initiated the sharing of motor vehicle titling taxes with the subdivisions. Legislation enacted in 1970 created the Maryland Department of Transportation and a consolidated Transportation Trust Fund. As provided by that legislation, the State shares with the counties, Baltimore City, and the municipal corporations those revenues credited to the Gasoline and Motor Vehicle Revenue Account in the Transportation Trust Fund. These revenues commonly are referred to as “highway user revenues.” Currently, the revenues dedicated to the account include all motor fuel taxes, 80 percent of vehicle titling taxes, all registration fees, and 24 percent of the State’s corporate income tax.

Distribution

Revenues credited to the Gasoline and Motor Vehicle Revenue Account are allocated as follows: 70 percent to the Transportation Trust Fund for use by the Maryland Department of Transportation and 30 percent to the counties and municipal corporations. Prior to fiscal 1998, Baltimore City received one-half of the local share. With the enactment of Chapter 163 of 1996 and beginning in fiscal 1998, Baltimore City receives the greater of \$157.5 million or 11.5 percent of the total highway user revenues plus 11.5 percent of any growth in the counties’ share of highway user revenues over fiscal 1998 base levels. Through fiscal 2007, Baltimore City’s share is capped at 12.25 percent of total highway user revenues. Beginning with fiscal 2008 the city’s share will increase slightly each year but never exceed 13.63 percent of total highway user revenues. All other counties and municipal corporations receive the remaining local share as set forth below. Exhibit 14.3 shows the formula calculation for fiscal 2007.

- Fifty percent is distributed based on the ratio of road mileage in a particular county to total county road mileage statewide as of December 1 of the preceding calendar year.
- The remaining 50 percent is distributed based on the ratio of vehicle registrations in a particular county to total vehicle registrations statewide as of December 1 of the preceding calendar year.

- Municipal corporations receive a share of their respective county's distribution based on the same prorated formula noted above. Fifty percent of a county's share is apportioned among the county and its municipal corporations on the basis of road mileage and 50 percent is apportioned on the basis of auto registrations.

Special Provisions

Chapter 163 of 1996 also contained provisions to offset Baltimore City's decreased percentage share of highway user revenues. Beginning with fiscal 1998, the city receives payments in lieu of property taxes (totaling \$930,000 in fiscal 2007) from the Maryland Port Administration for four port facilities in the city and \$5 of each security interest filing fee collected by the Motor Vehicle Administration (totaling \$3.1 million in fiscal 2007).

In order to qualify for highway user revenues, a county, municipal corporation, or Baltimore City must certify that the revenues will be used in compliance with all applicable laws. Municipal corporations are further required to make a written request of the State Highway Administration for their shares of these funds at least six months before the start of the fiscal year. Any highway user revenues that are not distributed due to a local government's failure to make the required certification will revert to the Transportation Trust Fund.

Highway user revenues may be used by all jurisdictions to repay debt service on outstanding bonds, the construction and maintenance of county roads, and the cost of transportation facilities as defined by State law. These funds also may be used to establish and maintain footpaths, bridle paths, horse trails, and bicycle trails. In addition, revenues received by Kent County and Baltimore City may be used for other items such as police traffic functions and highway lighting, drainage, and street cleaning costs. Kent County also may expend funds for maintaining county-owned boat landings and paying school crossing guards. Through fiscal 2010, Baltimore City is authorized to subsidize student fares for mass transit.

Distributions to Baltimore City and counties are reduced by (1) the amount of debt service on county highway bonds issued on behalf of the city or county by the department; and (2) any costs necessary to correct individual instances of noncompliance concerning State standards of uniformity for traffic control devices.

**Exhibit 14.3
Highway User Grant Distribution
Fiscal 2007**

<u>County</u>	<u>A</u> <u>Road Mileage</u> <u>(Jan. 2005)</u>	<u>C</u> <u>% of Road</u> <u>Mileage</u>	<u>D</u> <u>50% Based on</u> <u>Road Mileage</u>	<u>F</u> <u>Vehicle Registration</u> <u>(Dec. 2004)</u>	<u>G</u> <u>% of Total</u> <u>Registration</u>	<u>H</u> <u>50% Based on</u> <u>Vehicle Registration</u>	<u>I</u> <u>Total Aid</u> <u>Distribution</u>
Allegany	724	3.1%	\$5,366,333	63,479	1.5%	\$2,561,633	\$7,927,966
Anne Arundel	1,778	7.6%	13,184,006	511,618	11.9%	20,645,847	33,829,854
Baltimore City							238,838,723
Baltimore	2,622	11.2%	19,435,906	649,878	15.2%	26,225,195	45,661,101
Calvert	460	2.0%	3,406,818	85,676	2.0%	3,457,372	6,864,190
Caroline	536	2.3%	3,973,447	35,021	0.8%	1,413,238	5,386,685
Carroll	1,129	4.8%	8,368,363	170,881	4.0%	6,895,737	15,264,100
Cecil	654	2.8%	4,850,191	88,427	2.1%	3,568,386	8,418,577
Charles	725	3.1%	5,375,897	128,014	3.0%	5,165,881	10,541,777
Dorchester	639	2.7%	4,740,468	30,743	0.7%	1,240,604	5,981,072
Frederick	1,530	6.6%	11,344,667	214,328	5.0%	8,648,998	19,993,665
Garrett	744	3.2%	5,519,352	31,895	0.7%	1,287,092	6,806,444
Harford	1,138	4.9%	8,433,084	223,475	5.2%	9,018,117	17,451,201
Howard	958	4.1%	7,099,508	238,179	5.6%	9,611,482	16,710,990
Kent	301	1.3%	2,232,191	21,243	0.5%	857,241	3,089,432
Montgomery	2,591	11.1%	19,209,862	711,405	16.6%	28,708,058	47,917,920
Prince George's	2,257	9.7%	16,730,053	612,713	14.3%	24,725,438	41,455,491
Queen Anne's	556	2.4%	4,119,126	49,817	1.2%	2,010,317	6,129,443
St. Mary's	597	2.6%	4,428,352	92,642	2.2%	3,738,478	8,166,830
Somerset	378	1.6%	2,799,562	19,532	0.5%	788,195	3,587,757
Talbot	445	1.9%	3,297,466	40,454	0.9%	1,632,482	4,929,948
Washington	1,015	4.3%	7,522,163	130,537	3.0%	5,267,694	12,789,857
Wicomico	873	3.7%	6,470,900	81,309	1.9%	3,281,146	9,752,046
Worcester	692	3.0%	5,128,502	56,688	1.3%	2,287,589	7,416,091
Statewide	23,340		\$173,036,218	4,287,954		\$173,036,218	\$584,911,158

Total Amount Available = \$584,911,158 Baltimore City's Share = \$238,838,723 Amount Available for other counties = \$346,072,435 50% Based on Road Mileage = \$173,036,218 50% Based on Vehicle Registration = \$173,036,218

C = A/B D = C X \$173,036,218 G = F/E H = G X \$173,036,218 I = D + H

Source: Department of Legislative Services/Maryland Department of Transportation

Trends

Highway user revenues distributed to local governments have steadily increased in recent years, just as revenues to the Transportation Trust Fund have steadily increased. In recent years, however, the local share of highway user revenues have fluctuated due to transfers to the general fund to balance the budget. In fiscal 2003, \$17.9 million was transferred; in both fiscal 2004 and 2005, \$102.4 million was transferred; and in fiscal 2006, \$48.5 million was transferred. Even with these transfers, local highway user revenues continued to increase over the last five years. The fiscal 2007 appropriation for highway user revenues was fully funded and totaled \$584.9 million, \$144.7 million greater than the amount in fiscal 2002, the year before the State budget reductions took effect.

History of Major Changes

1968 – Current formula for allocating the county and municipal share of highway user revenues established and highway user revenues distributed:

- 60 percent – State
- 20 percent – Baltimore City
- 20 percent – Counties and municipal corporations

1971 – Maryland Department of Transportation established and highway user revenues redistributed:

- 65.0 percent – State
- 17.5 percent – Baltimore City
- 17.5 percent – Counties and municipal corporations

1978 – Titling tax increased from 4 to 5 percent

1982 – Motor fuel tax increased from 9 to 11 cents per gallon

1983 – Motor fuel tax increased to 13.5 cents per gallon

1987 – Motor fuel tax increased to 18.5 cents per gallon

Highway user revenues redistributed:

- 70 percent – State
- 15 percent – Baltimore City
- 15 percent – Counties and municipal corporations

1992 – Motor fuel tax increased to 23.5 cents per gallon

1996 – Highway user revenues redistributed:

70 percent – State

Greater of \$157.5 million or 11.5 percent plus 11.5 percent of any increase in local share – Baltimore City

Remaining local share – counties and municipal corporations

2000 – Added short-term rental vehicle revenues to tax base

2003 – \$17.9 million transferred from local highway user revenues to the general fund

2004 – \$102.4 million transferred from local highway user revenues to the general fund; and

– Registration fees were increased 87 to 89 percent for passenger cars, trucks, and sport utility vehicles

2005 – \$102.4 million transferred from local highway user revenues to the general fund; and

– Department of General Services purchases of motor fuel are exempt from the State motor fuel tax resulting in a nominal decrease in local highway user revenues

2006 – \$48.5 million transferred from local highway user revenues to the general fund

Legal Reference

Tax-General Article, Title 2, Subtitles 10, 11, and 13

Transportation Article, Title 8, Subtitle 4 and Sections 3-215, 3-216, 12-118, and 13-814

Elderly/Disabled Transportation

The Secretary of the Department of Transportation must identify funds within the department's annual budget to be used for elderly and disabled transportation services in each county. The Maryland Transit Administration (MTA) administers the funding of programs that assist transportation of the elderly and disabled individuals. These programs include the Statewide Special Transportation Assistance Program (SSTAP) and the Federal Transit Administration's grant for transportation services for elderly and disabled persons.

Distribution

SSTAP funds, which are provided 100 percent from State transportation resources, are distributed in the following manner:

- 60 percent allocated equally to the counties and Baltimore City; and
- 40 percent allocated based on the ratio of the elderly/disabled population in the county to the statewide total.

Federal Transit Administration funds are distributed to nonprofit, nongovernmental agencies providing elderly/disabled transportation services, for the purpose of purchasing vehicles and related equipment. Funds are allocated based upon a competitive application process.

For fiscal 2007, \$4.3 million is appropriated for local governments to provide transit services for elderly and disabled individuals. Counties must submit a written application to the Secretary of Transportation to receive funds. If a jurisdiction does not apply for its total allocation, funds may be made available to the other jurisdictions. Funds may be used for the operating costs of each county's transportation services or for capital purchases.

Legal Reference

Transportation Article, Section 2-103.3

Paratransit Grants

The federal Americans with Disabilities Act of 1990 requires local transit systems to provide paratransit services – transit designed specifically to accommodate disabled individuals – but Congress did not provide for federal funding to help localities or states implement this requirement. Therefore, since fiscal 1995, the State has provided grants to local transit systems to help defray the costs of providing the paratransit services required under the federal Act. The paratransit grant was to terminate on June 30, 1999; however, the General Assembly repealed the termination provision in the 1999 session.

Distribution

The distribution of funds among the fourteen participating counties (Allegany, Anne Arundel, Calvert, Charles, Dorchester, Frederick, Harford, Howard, Prince George's, St. Mary's, Somerset, Washington, Wicomico, and Worcester) and two municipal corporations (Annapolis and Ocean City) is based on a prorated share of the maximum

funding amount using the jurisdiction's actual expenditures. Chapter 687 of 1996 increased the maximum amount of paratransit grant program funding from \$3.45 to \$4.0 million. The fiscal 2007 State budget includes \$2.8 million for this program.

Legal Reference

Transportation Article – Section 2-103.5

Mass Transit

State and federal transportation grants are administered by the Maryland Transit Administration (MTA) to assist the counties in funding both the operating and capital costs of a variety of transit programs. A discussion of the major mass transit programs follows.

Washington Metropolitan Area Transit Authority

The State provides an annual grant to the Washington Metropolitan Area Transit Authority (WMATA) for the construction and operation of the metrorail and metrobus systems in Montgomery and Prince George's counties. The State also supports local bus service in Montgomery and Prince George's counties. The State began paying 100 percent of the WMATA and local bus operating deficits beginning in fiscal 1993. In 1998, legislation was enacted that required the State, beginning in fiscal 2000, to assume 100 percent of Maryland's share of WMATA's capital equipment costs and 100 percent of the debt service allocated to Maryland for purposes of retiring the revenue bonds issued to finance portions of the construction of the metrorail system. The fiscal 2007 State budget includes \$174.5 million in operating assistance and \$90.0 million for capital assistance for WMATA.

Small Urban Area Operating Assistance

The federal Transit Administration Section 5307 program, with up to 50 percent federal funding, reimburses operating costs incurred by Howard and Harford counties and the cities of Annapolis, Cumberland, Hagerstown, and Frederick. This program is funded in the MTA's operating budget and assists in financing the planning, acquisition, construction, leasing, improvement, and maintenance of equipment and facilities for use in mass transportation services. The fiscal 2007 State budget includes \$6.3 million for this program.

Rural Area Operating Assistance

The federal Transit Administration Section 5311 program may be used for either operating or capital purposes; when applied to operations, federal funds are limited to 50 percent of net operating deficit. In fiscal 2007, 17 systems will be operating in 21

jurisdictions. This program is funded in the MTA's operating budget, and goes to support eligible project administration and operating and capital expenses relating to public transportation service in nonurbanized areas. The fiscal 2007 State budget includes \$5.3 million for this program.

Ridesharing

The federal Transit Administration Section 5307 program covers the administrative costs of commute alternatives, such as car and van pool commuter systems in Baltimore City, Anne Arundel, Baltimore, Carroll, Frederick, Harford, Howard, Montgomery, Prince George's counties, and the Southern Maryland Tri-County Council area which includes Calvert, Charles, and St. Mary's counties. This program is funded 80 percent federal/20 percent State. This program is funded in the MTA's capital budget. The fiscal 2007 State budget includes \$1.5 million for this program.

Small Urban and Rural Technical Studies

The federal Transit Administration Section 5313b program covers the planning and feasibility studies that are prerequisites for receiving federal operating assistance. This program is funded 80 percent federal/20 percent State and local, and is funded in the MTA's operating budget. The fiscal 2007 State budget includes \$0.3 million for this program.

Job Access and Reverse Commute

This program funds transit services that link employees with job opportunities. Federal funding is provided annually based on a competitive nationwide award process. The fiscal 2007 State budget includes \$5.0 million for this program.

State Grants in Lieu of Federal Aid

The Maryland Department of Transportation makes State grants available to the counties equivalent to the amount of federal funds allocated to the counties under the federal Secondary Highway Program and the federal Urban Highway Program. The State grants reimburse the counties for the federal monies since the counties release the federal monies to the State for use on the State highway system. This approach maximizes the use of federal funds while minimizing local matching requirements. Baltimore City is excluded from the arrangement because all highways within the city limits, with the exception of Interstate 95, are the responsibility of the city. The counties use the State grants for highway construction.

The estimated allocation of Transportation Trust Fund monies to the counties for fiscal 2007 in lieu of federal Secondary and Urban Systems Funds is \$4.5 million. A breakdown of this funding for each county is presented in Exhibit 14.4.

Legal Reference

Transportation Article, Section 8-507

Exhibit 14.4
Estimated Federal Aid
Secondary and Urban Systems Funds
Fiscal 2007
Estimated Allocation

<u>County</u>	<u>Secondary</u>	<u>Urban Systems</u>	<u>Total</u>
Allegany	\$112,932	\$129,724	\$242,656
Anne Arundel	89,967	159,250	249,217
Baltimore City	0	0	0
Baltimore	164,812	258,652	423,464
Calvert	95,306	0	95,306
Caroline	137,454	0	137,454
Carroll	196,079	18,379	214,458
Cecil	141,546	7,969	149,515
Charles	126,137	53,367	179,504
Dorchester	147,831	30,214	178,045
Frederick	303,849	69,017	372,866
Garrett	194,700	0	194,700
Harford	163,653	35,778	199,431
Howard	71,716	3,097	74,813
Kent	72,029	0	72,029
Montgomery	117,009	135,221	252,230
Prince George's	57,870	153,953	211,823
Queen Anne's	133,994	0	133,994
St. Mary's	120,780	18,785	139,565
Somerset	95,620	0	95,620
Talbot	97,512	22,311	119,823
Washington	165,119	142,193	307,312
Wicomico	151,303	102,945	254,248
Worcester	139,350	62,577	201,927
Total	\$3,096,568	\$1,403,432	\$4,500,000

Source: State Highway Administration

Chapter 15. Environment and Recreation State Aid

Maryland is recognized as a national leader for its efforts to protect the environment and to provide quality recreational programs to its citizens. State assistance to local governments in this area is provided almost exclusively through capital programs. While the State does provide some technical assistance to local governments such as engineering design review and water quality analysis, the counties are primarily responsible for implementing and overseeing the majority of programs in this area. In fiscal 2007, local governments receive \$136.4 million in State funding through three environmental aid programs: Program Open Space, the Baltimore City special Program Open Space grant, and the Chesapeake Bay Critical Areas grant. In addition, local governments receive \$333.6 million through various other capital grant programs.

Over the last four years, State funding for Program Open Space has increased from \$17.3 million in fiscal 2003 to \$134.1 million in fiscal 2007. The growth in State funding is due to the rise in State transfer tax collections resulting from the strong real estate market and the discontinuation of State budget reductions. From fiscal 2003 to 2006, around \$151.3 million in local Program Open Space funds were transferred to the State's general fund in order to help close significant projected budgetary shortfalls. Due to the improvement in the State's fiscal outlook, local governments received full funding of Program Open Space grants in fiscal 2007. Exhibit 15.1 shows the change in State aid to local governments for environment and recreation purposes over the last four years. Exhibit 15.2 shows the allocation of local Program Open Space and critical areas grant for each county in fiscal 2007.

Exhibit 15.1 Environment and Recreation Aid Programs – Funding Trend (\$ in Millions)

<u>Aid Program</u>	<u>FY 2003</u>	<u>FY 2007</u>	<u>Percent Change</u>
Program Open Space	\$17.3	\$134.1	677.2%
Baltimore City Special Grant	1.5	1.5	0.0
Chesapeake Bay Critical Areas	0.8	0.7	-1.0
Total	\$19.5	\$136.4	599.0%

Source: Department of Legislative Services

Exhibit 15.2
State Aid for Local Environment and Recreation Programs
Fiscal 2007

County	Program	Chesapeake Bay	Total Aid	Per Capita
	Open Space	Critical Areas		Aid
Allegany	\$1,493,362	\$0	\$1,493,362	\$20
Anne Arundel	16,146,826	44,000	16,190,826	32
Baltimore City	12,189,305	38,000	12,227,305	19
Baltimore	18,186,282	34,000	18,220,282	23
Calvert	1,619,537	51,000	1,670,537	19
Caroline	706,774	34,500	741,274	23
Carroll	3,639,805	0	3,639,805	22
Cecil	1,879,814	53,000	1,932,814	20
Charles	3,320,360	35,600	3,355,960	24
Dorchester	612,424	50,500	662,924	21
Frederick	3,849,425	0	3,849,425	17
Garrett	757,694	0	757,694	25
Harford	5,390,659	34,000	5,424,659	23
Howard	9,537,751	0	9,537,751	35
Kent	455,572	41,400	496,972	25
Montgomery	24,291,038	0	24,291,038	26
Prince George's	20,606,241	0	20,606,241	24
Queen Anne's	987,019	38,500	1,025,519	22
St. Mary's	1,837,585	39,000	1,876,585	19
Somerset	437,296	56,000	493,296	19
Talbot	1,040,457	55,000	1,095,457	31
Washington	2,867,919	0	2,867,919	20
Wicomico	1,902,666	25,000	1,927,666	21
Worcester	1,893,481	73,000	1,966,481	40
Unallocated	0	40,000	40,000	
Total	\$135,649,292	\$742,500	\$136,391,792	\$24

Source: Department of Legislative Services

Program Open Space

Program Open Space provides dedicated funds for State and local parks and conservation areas. The goal of the program is to expedite the acquisition of conservation and scenic areas to avoid permanent forfeiture of such land due to unaffordable land prices and development. Both the State and local governments may use Program Open Space funding for land acquisition and the development of park and recreation facilities. State and local funding is based on a statutory formula. Since the program's inception in 1969, over 4,000 individual county and municipal parks and conservation areas have been established. The Department of Natural Resources administers the program and distributes funding to both State and local projects.

Distribution

The State transfer tax currently funds Program Open Space and several related land preservation programs. A portion of State transfer tax revenues (3 percent) is earmarked to defray administrative costs within the Department of Natural Resources, the Department of General Services, and the Maryland Department of Planning. The remaining revenues are allocated to State and local Program Open Space projects (75.15 percent), Agricultural Land Preservation Fund (17.05 percent), the Heritage Conservation Fund (1.8 percent), the Rural Legacy Program (5 percent), and additional State land acquisition (1 percent). The following describes the allocation of State and local Program Open Space funding.

State Program Open Space

State projects receive approximately 50 percent of total Program Open Space funding. State funds are used for land acquisition, capital improvements, critical maintenance, and operations. While both State acquisitions and local grants fund projects that protect open space and provide recreational facilities, State acquisitions tend to place a greater emphasis on natural resource management.

Local Program Open Space

Local governments receive approximately 50 percent of total Program Open Space funding. As illustrated in Exhibit 15.3, the local share of Program Open Space funds is allocated as follows:

- the proportionate distribution of the sum of each county's largest grant between 1970 and 1982 is applied to the initial distribution of current funds;

- counties that are projected to lose population between 2000-2010 are allocated the lesser of the distribution calculated above or its proportionate distribution in 1982; and
- remaining funds are distributed based on each county's relative share of transfer tax revenues collected in the second preceding fiscal year.

To receive funds, a county must submit an updated land preservation, parks, and recreation plan, developed in cooperation with the Maryland Department of Planning, every six years to the Department of Natural Resources. The Department of Natural Resources must provide legislators from the district within which any part of the local jurisdiction is located an opportunity to review and comment on revised local plans. Each year thereafter, counties must submit annual proposals of projects consistent with their six-year plans to the Department of Natural Resources for approval. The counties prioritize potential projects and fund them with available monies.

Municipal corporations also may receive Program Open Space funding through their counties. They apply to the counties for the funds, and each county then considers municipal projects along with other county projects.

Funding History

Funding for Program Open Space has evolved through the years. The program originally was funded from three sources: general obligation bonds (Outdoor Recreation Land Loan of 1969), the State transfer tax, and federal funding under the Land and Water Conservation Fund. However, the State transfer tax has since become the sole funding source for the program. To control rising costs, in fiscal 1985 the General Assembly imposed a \$24 million funding limitation on the program, which was raised in fiscal 1988 and again in fiscal 1989. Legislation passed by the General Assembly in 1990 phased out the funding cap and required that all transfer tax revenues be dedicated to Program Open Space and related programs in fiscal 1996. Subsequent legislation delayed the full dedication of transfer tax revenues to Program Open Space and related programs until fiscal 1998.

In response to an imbalance in general fund revenues and expenditures caused by the State's fiscal crisis, in fiscal 2003 through 2006, the General Assembly transferred approximately \$151.3 million in local Program Open Space funds to the State's general fund and used general obligation bonds to partially fund the program. These amounts totaled \$22.0 million in fiscal 2003, \$30.5 million in fiscal 2004, \$49.2 million in fiscal 2005, and \$49.6 million in fiscal 2006. Due to the projected budget surplus during the 2006 session, no transfer tax revenues were redirected to the general fund for fiscal 2007.

**Exhibit 15.3
Program Open Space Allocation
Fiscal 2007**

County	A Maximum Grant 1970-82	C Percent of Total	E Initial Allocation FY 2007	F FY 1982 Based Grant Capped Co.	G Distribution Per Maximum With Ceiling	I Transfer Tax Revenue FY 2005	K Percent of Total	L Distribution Per Transfer Tax	M Final Allocation
Allegany	\$162,370	1.10%	\$1,481,383	\$1,509,180	\$1,481,383	\$777,964	0.33%	\$11,979	\$1,493,362
Anne Arundel	1,728,020	11.75	15,765,590		15,765,590	24,758,446	10.46	381,237	16,146,826
Baltimore City	1,549,600	10.54	14,137,775	10,494,499	10,494,499	12,651,170	5.35	194,806	10,689,305
Baltimore	1,954,810	13.30	17,834,708		17,834,708	22,832,107	9.65	351,574	18,186,282
Calvert	171,240	1.16	1,562,308		1,562,308	3,716,573	1.57	57,229	1,619,537
Caroline	76,020	0.52	693,568		693,568	857,604	0.36	13,206	706,774
Carroll	388,080	2.64	3,540,648		3,540,648	6,439,519	2.72	99,157	3,639,805
Cecil	200,060	1.36	1,825,247		1,825,247	3,543,690	1.50	54,567	1,879,814
Charles	352,100	2.40	3,212,384		3,212,384	7,012,220	3.63	107,976	3,320,360
Dorchester	64,870	0.44	591,841		591,841	1,336,692	0.60	20,583	612,424
Frederick	401,380	2.73	3,661,990		3,661,990	12,172,453	5.14	187,434	3,849,425
Garrett	79,940	0.54	729,333		729,333	1,841,854	0.80	28,361	757,694
Harford	574,980	3.91	5,245,830		5,245,830	9,405,567	4.00	144,829	5,390,659
Howard	1,019,340	6.93	9,299,948		9,299,948	15,443,493	6.52	237,803	9,537,751
Kent	48,360	0.33	441,212		441,212	932,556	0.40	14,360	455,572
Montgomery	2,567,460	17.46	23,424,220		23,424,220	56,293,287	23.80	866,818	24,291,038
Prince George's	2,209,090	15.02	20,154,631		20,154,631	29,328,617	12.40	451,609	20,606,241
Queen Anne's	103,320	0.70	942,640		942,640	2,882,107	1.21	44,379	987,019
St. Mary's	194,740	1.32	1,776,710		1,776,710	3,953,361	1.70	60,875	1,837,585
Somerset	46,760	0.32	426,615		426,615	693,676	0.30	10,681	437,296
Talbot	108,360	0.74	988,622		988,622	3,366,291	1.42	51,835	1,040,457
Washington	305,760	2.08	2,789,601		2,789,601	5,086,131	2.15	78,317	2,867,919
Wicomico	204,260	1.40	1,863,566		1,863,566	2,539,228	1.07	39,100	1,902,666
Worcester	192,790	1.31	1,758,919		1,758,919	8,738,748	3.70	134,561	1,893,481
Statewide	\$14,703,710	100%	\$134,149,290		\$130,506,014	\$236,603,352	100%	\$3,643,276	\$134,149,290

B

D

H

J

C = A/B; D = FY 2007 State funding for local Program Open Space projects; E = C x D; F = Proportionate share based on 1982 grant for counties losing population;

G = E or the lesser of E or F for counties losing population; K = I/J; L = (D - H) x K; M = G + L

Source: Department of Legislative Services

Special Provisions

- Under § 5-903 of the Natural Resources Article, Baltimore City receives an additional grant of \$1.5 million per fiscal year from the State share of Program Open Space funds. These funds are used for the development and maintenance of city parks and recreation facilities.
- Effective fiscal 1992, local Program Open Space funds which are not spent or encumbered within a five-year period will revert to the Department of Natural Resources. These funds will be held in a special account and added to the apportionment for the localities in the following fiscal year.
- Chapter 672 of 1997 authorized the State to use up to \$1.2 million of the State's Program Open Space capital development funds to pay operating expenses of the State's forests and parks. The Budget Reconciliation and Financing Act of 2005 authorized \$2.5 million for this purpose for fiscal 2006 only.
- Chapter 209 of 2005 authorized the Maryland Heritage Area Authority Fund to receive up to \$3 million in open space funds.
- Chapter 473 of 2005 provided that in any fiscal year in which an appropriation or transfer is made from the transfer tax special fund to the general fund, any over attainment of transfer tax revenue from the prior fiscal year must be allocated to the current fiscal year according to the existing statutory allocation of transfer tax revenues. Beginning in fiscal 2012, the bill provides for the repayment of State transfer tax revenues transferred to the general fund after fiscal 2005 by including the transfer tax special fund in the provisions relating to the disposition of any unappropriated general fund surplus.

History of Major Changes

1969 – Chapter 403 established Program Open Space.

1984 – Chapter 665 capped transfer tax revenues dedicated to Program Open Space at \$24 million.

1987 – Chapter 303 increased the cap to \$29 million in fiscal 1988 and \$32 million in subsequent years. Chapter 450 placed new restrictions on use of local program funds for acquisition and development.

1989 – Chapter 744 authorized local governments to use surplus Agricultural Land Preservation funds for Program Open Space acquisitions.

1990 – Chapter 63 phased out the cap on the program over a five-year period beginning in fiscal 1992 and required certain unencumbered local Program Open Space funds to revert to the State after five years from the date of deposit.

1993 – Chapter 204 altered the allocation of transfer tax revenues between the program and the general fund and delayed the phase-out of the cap until fiscal 1997.

1996 – Chapter 600 delayed the dedication of 100 percent of the transfer tax to Program Open Space and related programs until fiscal 1998.

1996 – Chapter 601 authorized the Governor to transfer \$1 million in Program Open Space funds to the Maryland Heritage Area Authority Fund. Chapter 659 authorized the Department of Natural Resources to use up to 12.5 percent (\$800,000), in fiscal 1997 only, of the State's share of Program Open Space funds available for capital improvements to operate State parks and forests.

1997 – Chapter 672 authorized the Department of Natural Resources to use up to \$1 million of the State's share of Program Open Space funds available for capital improvements to operate State parks and forests in fiscal 1998 and to use up to \$1.2 million for operations in subsequent years.

1997 – Chapter 758 established the Rural Legacy Program and altered the distribution of the State transfer tax by dedicating 90 percent to Program Open Space, Agricultural Land Preservation, and the Heritage Conservation Fund and 10 percent to the Rural Legacy Program, Program Open Space, and Agricultural Land Preservation.

2001 – Chapter 713 extended the termination date from September 30, 2001 to September 30, 2006, relating to the use of Program Open Space funds to pay for the operating expenses and bond debt service of the Maryland Heritage Area Authority Financing Fund.

2001 – Chapter 658 increased from 75 to 100 percent the amount a local government can spend on development projects once it has been certified by the Department of Natural Resources and the Maryland Department of Planning that it has attained its acreage acquisition goals.

2003 through 2006 – Over the course of four fiscal years, the General Assembly transferred approximately \$151.3 million in local Program Open Space funds to the State’s general fund to balance the State’s budget.

Legal Reference

Natural Resources Article, Title 5, Subtitle 9
Tax-Property Article, Section 13-209

Chesapeake Bay Critical Area Grant

Grants are made to the counties and qualifying municipal corporations for the exclusive purpose of defraying administrative costs for developing plans to improve conditions in the Chesapeake Bay pursuant to the Natural Resources Article, Section 8-1808. These grants were provided via State funds from fiscal 1985 through 1992. The grant program was federally funded from fiscal 1993 through 2000. In fiscal 2001, half of the grant funds were provided by the federal government and the remaining half were provided by the State. Beginning in fiscal 2002, the State funded the entire amount.

These grants are provided under the Chesapeake Bay Critical Area Grant Fund, which was established in 2000. The Chesapeake Bay Critical Area Grant Program distributes funds to Baltimore City and Anne Arundel, Baltimore, Calvert, Caroline, Cecil, Charles, Dorchester, Harford, Kent, Queen Anne’s, St. Mary’s, Somerset, Talbot, Wicomico, and Worcester counties. In fiscal 2007, the State provided \$742,500 in aid through the critical areas program. In addition to grants made to specific counties, the Department of Natural Resources also funds joint projects with the Maryland Department of Planning and Maryland State Archives.

Environment/Recreation Capital Programs

The State provides environmental assistance to counties and municipal corporations through a number of capital programs, with State funding for these programs totaling \$333.6 million in fiscal 2007. Exhibit 15.4 shows the amount of State funding allocated for each of these programs in fiscal 2007.

Exhibit 15.4
State Aid for Environment/Recreation Capital Programs
Fiscal 2007

<u>Aid Program</u>	<u>Grant Amount</u>
Community Parks and Playgrounds	\$5,000,000
Chesapeake Bay Restoration	75,500,000
Biological Nutrient Removal	18,000,000
Supplemental Assistance	6,000,000
Small Creek and Estuary Restoration	1,000,000
Maryland Stormwater Pollution Control	450,000
Maryland Water Quality Revolving Loan	70,000,000
Waterway Improvement	26,000,000
Water Supply Financial Assistance	2,500,000
Maryland Drinking Water Revolving Loan	13,171,000
Shore Erosion Control	800,000
Community Energy Loan	1,500,000
Maryland Agricultural Land Preservation	87,139,000
Rural Legacy	26,050,000
Hazardous Substance Cleanup	500,000
Comprehensive Flood Management Grant	0
Total	\$333,610,000

Source: Department of Legislative Services

Community Parks and Playgrounds Program

Established in 2001 and administered by the Department of Natural Resources, the Community Parks and Playgrounds Program provides funding for the restoration of existing and the creation of new parks and green spaces in priority funding areas. The program provides flexible grants to local and municipal governments to assist in rehabilitating, expanding, or improving existing parks, creating new parks, or purchasing and installing playground equipment. While land acquisition costs are considered, highest priority is given to capital costs associated with park and playground development and improvement. To date, this program has funded 242 projects. The fiscal 2007 State budget includes \$5.0 million in general obligation bonds for this program.

Chesapeake Bay Water Quality Funds

Chesapeake Bay Restoration Fund

The Bay Restoration Fund (Chapter 428 of 2004) was created to address the significant decline in Chesapeake Bay water quality due to overenrichment of nutrients such as phosphorus and nitrogen. This dedicated fund, financed in large part by wastewater treatment plant users, will be used to upgrade Maryland's plants with enhanced nutrient removal technology so they are capable of achieving wastewater effluent quality of 3 mg/l total nitrogen and 0.3 mg/l total phosphorus.

In addition to the wastewater treatment plant user fee, a \$30/year per septic/holding tank fee was created. There are approximately 420,000 onsite septic systems in Maryland, so the Maryland Department of the Environment estimates that an estimated \$14.0 million will be generated annually – with 60 percent of this revenue being allocated to the department for the septic system upgrade program and 40 percent to the Maryland Department of Agriculture for the Cover Crop Program. The Maryland Department of the Environment will provide grants to upgrade failing systems and holding tanks with the best available technology for nitrogen removal. The program will give priority to projects that involve failing systems, in environmentally sensitive areas, that are ready to proceed. The fiscal 2007 State budget includes \$75.5 million for this program.

Biological Nutrient Removal Program

This program, started in 1985, provides grants to local governments for the removal of nutrients (nitrogen and phosphorous) from the discharges of sewage treatment plants. The program currently provides funds to retrofit or upgrade wastewater treatment plants with biological nutrient removal technology. The goal of the program is to implement the *Chesapeake 2000* agreements point source nutrient reduction strategy. The State provides approximately 50 percent of the total eligible project cost with the ability to provide 100 percent. For fiscal 2007, the State issued \$15.8 million in general obligation bonds and \$2.2 million in general funds for this program.

Supplemental Assistance Program

Since 1984 this program has provided grant assistance to local governments for planning, designing, and constructing needed wastewater facilities throughout the State. Funds are targeted principally to two types of projects: (1) maintaining compliance at existing wastewater treatment plants; and (2) eliminating failing septic systems in older existing communities. Funds are directed principally to projects where local

governments need a subsidy to undertake the needed water quality or public health project. This program is often used in conjunction with other sources of federal and State financial assistance to achieve project affordability. For fiscal 2007, the State issued \$6 million in general obligation bonds for this program.

Small Creek and Estuary Restoration Program

Begun in 1990, this program provides cost-share grant funds to local governments for water quality restoration projects in polluted creeks and estuarine tributaries. Techniques typically include dredging polluted bottom sediments and streambank stabilization. On average, projects are funded on a 50/50 cost-share basis with local governments; however, the Maryland Department of the Environment has the authority to provide up to 87.5 percent of the total project cost. For fiscal 2007 the State issued \$1 million in general obligation bonds for this program.

Maryland Stormwater Pollution Control Program

This program provides up to 75 percent in matching grant funds to local jurisdictions for projects to reduce nonpoint-source pollution from existing urban areas. It began in 1984 and is a means of controlling the load of nutrients and pollutants from existing developed areas by providing financial assistance for implementation of stormwater management (retrofit) projects. Grantees must contribute a minimum of 25 percent of the total project cost. For fiscal 2007, the State issued \$450,000 in general obligation bonds for this program.

Water Quality Revolving Loan Fund

The Water Quality Revolving Loan Fund was created in 1989 to provide low-interest loans to counties and municipal corporations to finance water quality improvement projects. Projects eligible for funding include wastewater treatment plants, failing septic systems, and non-point source projects such as urban stormwater control projects. These projects are prioritized based on a U.S. Environmental Protection Agency-approved Integrated Project Priority System. In accordance with this system, projects meeting the minimum requirements are rated and ranked based on criteria including proposed project benefits and water quality improvement. The fiscal 2007 State budget includes \$70.0 million for this program.

Waterway Improvement Fund

Maryland's Waterway Improvement Fund finances projects to expand and improve public boating access throughout the State. The fund, which was established in 1965, is administered by the Department of Natural Resources. Financial support for the fund comes primarily from the 5 percent excise tax on the sale of motorized vessels within the State and 0.3 percent of the eligible proceeds from Maryland's motor fuel tax. The fiscal 2007 State budget includes \$26.0 million for this program.

The fund provides grants or loans for eligible natural resource projects requested by a county or the department and approved by the General Assembly. The types of local projects funded include grants for small projects such as construction of jetties and breakwaters and construction and maintenance of marine facilities, grants for dredging projects, interest free loans for waterway improvement projects within a waterway improvement district, loans for certain shore erosion control projects, grants to remove navigational hazards, matching grants to construct marine facilities relating to boating safety, grants to private marinas for public pump-out facilities, sanitation services at public landings, and grants for projects beneficial to the boating public.

Water Supply Financial Assistance Program

This program, which began in 1982 and is administered by the Maryland Department of the Environment, provides grants and loans to assist small communities with the acquisition, construction, equipping, rehabilitation, and improvement of publicly owned water supply facilities. Maximum grant assistance may not exceed 87.5 percent of the total eligible project cost and a 12.5 percent local match is required. Loans must be repaid to the State Treasury within 30 years and bear at least the same rate of interest as the most recent State general obligation bond sale preceding the date of approval by the Board of Public Works. In recent years all assistance has been in the form of grants rather than loans. This program is often used in conjunction with other sources of federal and State financial assistance to achieve project affordability. The State issued \$2.5 million in general obligation bonds for this program in fiscal 2007.

Maryland Drinking Water Revolving Loan Fund

This fund was established by the General Assembly in 1993 in anticipation of federal legislation to create a grant program providing financial assistance to local governments for drinking water system improvements. The fund is administered by the Maryland Department of the Environment. Loans may be provided to local governments at or below market interest rates on the condition that the borrowing local government establishes a dedicated source of revenue to repay the loan. The terms of the loan must

not exceed 20 years, and only interest payments are required during the construction period, with annual principal payments beginning within one year of project completion. The fund may also be used to buy or refinance debt obligation of local governments issued for the purpose of financing the cost of a water supply system, or to guarantee or purchase insurance for bonds issued by a local government to finance the cost of a water supply system. The federal act requires a 20 percent State match. The fiscal 2007 State budget includes \$13.2 million for the program.

Shore Erosion Control Program

Established in 1968 and administered by the Department of Natural Resources, program funds are used to provide loans and grants to individual property owners, municipal corporations, and counties to complete eligible shore erosion control projects. The program provides interest-free loans for the design and construction of structural shore erosion control projects. The grants made under this program are for the design and construction of nonstructural shore erosion control projects and require a 50 percent match. The fiscal 2007 State budget includes \$800,000 for this program.

Community Energy Loan Program

This program was established in 1989 and is administered by the Maryland Energy Administration for the purpose of providing loans to eligible nonprofits, including hospitals and private schools and local governments, including public school systems and community colleges. The loan program currently funds approximately \$1.5 million in new projects each fiscal year. Cost savings generated by the improvements are the primary source of revenue for repaying the loans.

Maryland Agricultural Land Preservation Program

This program seeks to preserve productive agricultural land and woodland, limit the extent of urban development, and protect agricultural land and woodland as open space. The Maryland Agricultural Land Preservation Foundation, with the assistance and cooperation of landowners and local governments, promotes the creation of agricultural land preservation districts and purchases development rights easements as a means of protecting agricultural land and woodland production activities. Funding for this program is primarily derived from three sources: property transfer tax revenues, the agricultural land transfer tax, and matching funds from counties and other sources. The program began in 1977 and is administered by the Maryland Department of Agriculture. The fiscal 2007 State budget includes \$87.1 million for this program.

Rural Legacy Program

This program, which began in 1998, provides funding to local governments and conservation organizations for the purchase of property and conservation easements within designated “rural legacy” areas for the purpose of protecting agricultural, natural, and cultural resources from urban sprawl. Local jurisdictions voluntarily participating in the program may purchase interests from willing sellers located in designated rural legacy areas. The program is administered by a Rural Legacy Board composed of the Secretary of the Department of Natural Resources, the Secretary of the Maryland Department of Agriculture, and the Secretary of the Maryland Department of Planning. The program is funded through general obligation bonds and the State’s operating budget. The fiscal 2007 State budget includes \$26.1 million for this program.

Hazardous Substance Cleanup Program

Started in 1996, this program provides funding to local governments for cleaning up uncontrolled sites listed on the federal National Priorities List (Superfund) and other uncontrolled waste sites within the State that do not qualify for federal funding through the Superfund program. Remediation costs are shared by the federal (90 percent) and state (10 percent) governments for federal Superfund “orphan” sites. Orphan sites are those that lack a financial viable responsible party to pay for the cleanup. However, the State provides up to 100 percent of the costs for the projects not included on the National Priorities List and seeks cost recovery when possible from responsible parties. At orphan sites, the State also provides 100 percent of the cost of the preliminary site assessment. The Hazardous Substance Cleanup Program is administered by the Maryland Department of the Environment. The fiscal 2007 budget includes \$500,000 for this program.

Comprehensive Flood Management Grant Program

This program provides funding to local governments for capital projects to reduce damage due to flooding. It started in 1982. Qualifying expenditures include costs to return land to flood plain status, the purchase and removal of homes, and moving homes to higher ground. The Maryland Department of the Environment, which administers the program, works closely with the Maryland Emergency Management Administration when federal funds are included in the projects. The fiscal 2007 budget did not include funding for this program.

Chapter 16. Health State Aid

Maryland was the first state in the nation to have local health departments in each of its jurisdictions. In 1956, the State began supporting local health departments through the Case formula, named after the chairman of the commission that developed the non-statutory formula. Following the Case Commission recommendations, the State calculated minimum budgets for each local health department. Until fiscal 1993, annual budget bill language specified the determination of State/local shares of each local health department's minimum budget. Legislation was enacted in 1993 that established a new funding mechanism called the Targeted Funding Program.

Targeted Funding Program

The Targeted Funding Program is administered by the Department of Health and Mental Hygiene's Community Health Administration's Office of Health Policy. Due to a hold harmless provision, no jurisdiction may receive less State funding for local health services than that jurisdiction received in fiscal 1997. After funding the hold harmless provision, two-thirds of the additional funding is distributed based on need (derived from poverty and mortality statistics) and the remaining one-third is distributed based on local effort (incentive grants).

Beginning in fiscal 1999, the State has provided funding in excess of the statutory minimum amount to support cost-of-living and other salary plan adjustments for local health department employees. In fiscal 2007, the targeted funding exceeds the statutory minimum by \$6.2 million of general funds.

Distribution

The allocation of funds provided through the Targeted Funding Program is determined by priorities established by the local health department. These priorities are based upon seven broad permissible service areas defined in law. Based on fiscal 2005 data, the program funds were distributed among the service areas as follows:

- communicable disease control (20.0 percent);
- environmental health (3.3 percent);
- family planning (6.6 percent);
- maternal and child health (43.5 percent of total funds);
- wellness promotion (5.5 percent);
- adult and geriatric health (6.2 percent); and
- administration (14.9 percent).

Within these broad service areas, a variety of programs are proposed and approved for funding. Child health may include programs with a school health focus. Communicable disease includes programs to control the spread of sexually transmitted disease, tuberculosis, and HIV, as well as to expand immunization levels among children. Administration comprises a range of programs including health planning, data collection, and coalition building. Currently, there is no established minimum or maximum allocation of funds among the priority service areas.

Trends

State funds for local health services increased from \$44.4 million in fiscal 1989 to \$47.8 million in fiscal 1990. With the onset of the State's fiscal crisis in fiscal 1991, State funding for local health services fell to \$32.5 million in fiscal 1992 and \$14.6 million in fiscal 1993. Legislation enacted in 1993 required the Governor to include at least \$34 million in the fiscal 1995 budget for local health services and at least \$39 million in fiscal 1996 and each year thereafter. However, subsequent legislation required a minimum funding level of \$41 million in fiscal 1997, with funding in future years adjusted for inflation and population growth. In fiscal 2007, the State provides approximately \$63.1 million in targeted funding to local health departments which is about a 2 percent increase in funding since fiscal 2003. A county-by-county allocation for fiscal 2007 is provided in Exhibit 16.1.

History of Major Changes

1956 – State began funding local health departments through the Case formula.

1990s – With the onset of the fiscal crisis, State funding for local health services fell to \$32.5 million in fiscal 1992 and \$14.6 million by fiscal 1993.

1993 – State established a new funding mechanism called the Targeted Funding Program. Governor is required to include at least \$34 million in fiscal 1995 budget for local health services and at least \$39 million in fiscal 1996 and each year thereafter.

1995 – Minimum funding level increased to \$41 million in fiscal 1997, with future year funding levels adjusted for inflation and population growth.

1996 – Department of Health and Mental Hygiene adopted regulations that provided for the distribution of State aid under the Targeted Funding Program.

1998 – State provided funding to support cost-of-living adjustments for local health department employees beginning in fiscal 1999.

Legal Reference

Health General Article, Title 2, Subtitle 3

Mental Health Services

The Mental Hygiene Administration contracts with the local health departments for the provision of residential, outpatient, mobile treatment, community rehabilitation, children/adolescent, and related community mental health services. The local departments either directly operate such programs or contract for their operation by private parties, all within the standards set by the Department of Health and Mental Hygiene.

Addiction Treatment Services

The Alcohol and Drug Abuse Administration contracts with the local health departments for the provision of primary and emergency care, intermediate care, halfway houses and long-term programs, outpatient care, and prevention programs. The local departments, assisted by the local alcoholism advisory councils, operate these programs directly, under the standards set by the Department of Health and Mental Hygiene.

Community and Family Health

The Community and Family Health Administration funds community-based programs through the local health departments. These programs include maternal health (family planning, pregnancy testing, prenatal care, etc.); child health (disease prevention, child health clinics, specialty services, etc.); and chronic disease prevention (cancer, heart disease, diabetes, etc.).

Health Capital Programs

The State has developed several programs to assist local governments in financing health-related facilities.

Exhibit 16.1
Local Health Grants – Targeted Funding Program
Fiscal 2007

County	Total Health Aid	Per Capita Aid
Allegany	\$1,513,901	\$21
Anne Arundel	5,320,144	10
Baltimore City	11,275,967	18
Baltimore	7,331,396	9
Calvert	635,607	7
Caroline	893,478	28
Carroll	2,070,101	12
Cecil	1,358,107	14
Charles	1,679,150	12
Dorchester	714,621	23
Frederick	2,546,052	12
Garrett	726,664	24
Harford	2,925,812	12
Howard	2,070,329	8
Kent	556,739	28
Montgomery	5,207,537	6
Prince George's	8,513,123	10
Queen Anne's	699,765	15
St. Mary's	1,358,698	14
Somerset	711,766	28
Talbot	550,540	15
Washington	2,313,454	16
Wicomico	1,587,178	18
Worcester	531,478	11
Total	\$63,091,607	\$11

Source: Department of Legislative Services

Adult Day Care Facilities Grant Program

Started in 1987, this program provides grants to counties, municipal corporations, or nonprofit organizations to acquire, design, construct, renovate, and equip adult day care centers. The program enables health-impaired adults and the elderly to access a wide range of health and social services. As a result, they are able to remain in their homes and communities and postpone institutionalization in a nursing home or other long-term care facility. A center that demonstrates a majority of the clients meet certain income requirements is eligible for consideration for this program, which provides up to 75 percent of the cost of renovation or construction for qualifying facilities. In recent years, the funding of this program has been inconsistent due to a lack of appropriate projects that are ready to use the funds. The funding for the Adult Day Care Facilities Grant Program has ranged from \$2.1 million in fiscal 2004 to no funding in fiscal 2005 and 2007. However, it is estimated that the program will receive \$1.5 million in funding annually for fiscal 2008 through 2011.

Community Mental Health, Addictions, and Developmental Disabilities Facilities

This program, which began in 1972, assists local governments and private providers with the acquisition, design, construction, renovation, and equipping of facilities that provide mental health, developmental disabilities, and addiction treatment services. The program is considered essential to facilitate the deinstitutionalization of the mentally ill and developmentally disabled by assisting in the funding of residential facilities within the community. It also seeks to develop community resources to prevent institutionalization of the addicted. The State may fund up to 75 percent of the cost of each project. The fiscal 2007 State budget includes \$7.8 million for this program.

Chapter 17. Miscellaneous State Aid Programs

The final eight State aid programs provide local governments with assistance in a variety of areas, including voting system grants, retirement payments for certain local officials and employees, horse racing impact aid, and senior citizen centers. The two largest programs are the disparity grant and electric utility generating equipment property tax grants which provide over \$140 million in funding to local governments. As shown in Exhibit 17.1, these eight State aid programs provide \$151.7 million to local governments in fiscal 2007, a 1.4 percent decrease over the last four years.

Exhibit 17.1
Miscellaneous State Aid Programs – Funding Trend
(\$ in Millions)

<u>Aid Program</u>	<u>FY 2003</u>	<u>FY 2007</u>	<u>Percent Change</u>
Disparity Grants	\$115.20	\$109.50	-5.00%
Electric Utility Property Tax Grant	30.60	30.60	0.00%
Local Voting System Grants	1.00	3.80	270.80%
Baltimore City Share of Security Interest-filing Fee	3.20	3.10	-1.30%
Retirement Costs – Locally Paid Officials	1.30	1.80	41.50%
Horse Racing Impact Aid	1.33	1.34	0.70%
Payments in Lieu of Taxes	0.80	1.00	29.10%
Senior Citizen Activities Centers	0.48	0.50	5.20%
Total	\$153.90	\$151.70	-1.40%

Source: Department of Legislative Services

Disparity Grants

Disparity grants address the differences in the ability of counties to raise revenues from the local income tax, which is the third largest revenue source for counties after State aid and property taxes. Counties with per capita local income tax revenues less than 75 percent of the State's average receive grants, assuming all counties impose a 2.54 percent local income tax rate. Aid received by a county equals the dollar amount necessary to raise the county's per capita income tax revenues to 75 percent of the State average. In fiscal 2007, Baltimore City and six counties (Allegany, Caroline, Dorchester, Garrett, Prince George's, and Somerset) qualify for disparity grants. The fiscal 2007 State budget includes \$109.5 million for disparity grants, a \$12.9 million increase from the prior year.

The State began providing disparity grants in fiscal 1992 to counties whose per capita local income tax revenues were less than 70 percent of the statewide average. Baltimore City and five counties (Allegany, Caroline, Dorchester, Garrett, and Somerset) qualified for the grants. Funding for disparity grants totaled \$8.6 million in fiscal 1992. Legislation enacted in 1992 placed the disparity grant formula in statute for fiscal 1993 and subsequent years. Legislation enacted in 1996 guaranteed that, beginning in fiscal 1998, each county's per capita local income tax yield would be 75 percent of the statewide average, rather than 70 percent. This change made two counties, Washington and Wicomico, eligible for disparity grants. In fiscal 2001, Prince George's County became eligible for disparity grants, and Washington County became ineligible due to increases in its per capita local income tax yields. Washington County, however, became eligible for the program again in fiscal 2002 but again became ineligible in fiscal 2005. Wicomico County became ineligible for the program in fiscal 2007.

Distribution

The fiscal 2007 grant under the statute is based on population estimates for July 2004 and calendar 2004 local income tax revenues raised from a 2.54 percent local income tax rate. Exhibit 17.2 shows the calculation for the disparity grant program for fiscal 2007.

Exhibit 17.2
Fiscal 2007 Disparity Grant Calculation

County	Adjusted Income		Per Capita Tax Yield	Per Capita Grant	FY 2007 Grant	FY 2006 Grant	Difference	Percent Difference
	Population July 2004	Tax Revenues TY 2004						
Allegany	73,871	\$18,070,294	\$244.62	\$99.44	\$7,345,436	\$6,100,040	\$1,245,396	20.4%
Anne Arundel	508,572	270,434,530	531.75	0.00	0	0	0	
Baltimore City	636,251	142,903,677	224.60	119.45	76,002,034	69,695,420	6,306,614	9.0
Baltimore	780,821	378,188,684	484.35	0.00	0	0	0	
Calvert	86,474	42,141,600	487.33	0.00	0	0	0	
Caroline	31,058	8,847,260	284.86	59.19	1,838,418	1,889,377	-50,959	-2.7
Carroll	166,159	78,763,718	474.03	0.00	0	0	0	
Cecil	95,526	34,770,557	363.99	0.00	0	0	0	
Charles	135,807	58,109,381	427.88	0.00	0	0	0	
Dorchester	30,912	9,141,553	295.73	48.33	1,493,893	2,032,786	-538,892	-26.5
Frederick	217,653	109,551,413	503.33	0.00	0	0	0	
Garrett	30,124	8,057,053	267.46	76.59	2,307,278	2,039,677	267,601	13.1
Harford	235,594	108,853,837	462.04	0.00	0	0	0	
Howard	266,738	182,691,075	684.91	0.00	0	0	0	
Kent	19,582	7,487,586	382.37	0.00	0	0	0	
Montgomery	921,690	627,947,407	681.30	0.00	0	0	0	
Prince George's	842,967	274,064,913	325.12	18.94	15,962,593	9,762,389	6,200,204	63.5
Queen Anne's	45,078	22,502,992	499.20	0.00	0	0	0	
St. Mary's	94,921	39,877,614	420.11	0.00	0	0	0	
Somerset	25,863	4,397,562	170.03	174.02	4,500,748	3,732,513	768,235	20.6
Talbot	35,017	20,430,402	583.44	0.00	0	0	0	
Washington	139,624	49,301,356	353.10	0.00	0	0	0	
Wicomico	88,782	30,924,687	348.32	0.00	0	1,325,931	-1,325,931	-100.0
Worcester	48,974	22,248,724	454.30	0.00	0	0	0	
Total	5,558,058	\$2,549,707,872	\$458.74	\$0.00	\$109,450,400	\$96,578,131	\$12,872,269	13.3%
		<i>Target (75%)</i>	<i>\$344.06</i>					

Source: Department of Legislative Services

History of Major Changes

1992 – Chapter 2 (first special session) codified the disparity grant formula in statute for fiscal 1993 and subsequent years.

1996 – Chapter 173 based the disparity grant formula on 75 percent of the statewide average per capita local income tax yield beginning in fiscal 1998.

Legal Reference

Article 24, Section 9-1101

Electric Utility Generating Equipment Property Tax Grants

Legislation restructuring Maryland's electric utility tax system was enacted in 1999 (Chapters 5 and 6 of 1999). Beginning with fiscal 2001, the legislation phased in over two years a 50 percent personal property tax exemption for machinery and equipment used to generate electricity for sale. To partially offset the revenue losses, the legislation provides grants to the counties impacted by the exemption. The dollar amounts of the grants when the exemption is fully phased in are written into the statute.

In fiscal 2001, the counties received half the amounts for a total of \$15.3 million. In fiscal 2002 and 2003, the grants totaled \$30.6 million. The fiscal 2004 appropriation was reduced by \$4.4 million, or 14.4 percent, by the Board of Public Works on July 30, 2003. The adjusted appropriation for fiscal 2004 totaled \$26.2 million. The proposed fiscal 2005 budget eliminated funding for the grant contingent upon the enactment of legislation; however, the General Assembly rejected the Governor's proposal and fully funded the grants for that year. The fiscal 2006 budget as introduced by the Governor included a \$30.6 million reduction to the grants contingent upon the enactment of legislation. Once again, the General Assembly rejected the Governor's proposal and fully funded the grants in fiscal 2006. The State budget fully funds the grants in fiscal 2007. Exhibit 17.3 shows the allocation of the grants for fiscal 2004 through 2007. The Town of Williamsport will receive 35 percent of Washington County's allocation.

Legal Reference

Article 24, Section 9-1102

Exhibit 17.3
Electric Utility Generating Equipment Property Tax Grants

<u>County</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Anne Arundel	\$6,752,694	\$7,820,202	\$7,820,202	\$7,820,202
Baltimore City	340,066	453,421	453,421	453,421
Baltimore	1,346,126	1,794,835	1,794,835	1,794,835
Calvert	5,425,079	6,096,574	6,096,574	6,096,574
Charles	1,891,959	2,522,612	2,522,612	2,522,612
Dorchester	140,582	187,442	187,442	187,442
Garrett	8,930	11,907	11,907	11,907
Harford	645,575	860,767	860,767	860,767
Montgomery	2,074,165	2,765,553	2,765,553	2,765,553
Prince George's	7,308,604	7,744,806	7,744,806	7,744,806
Washington	267,812	357,082	357,082	357,082
Total	\$26,201,592	\$30,615,201	\$30,615,201	\$30,615,201

Source: Department of Legislative Services

Local Voting System Grants

Chapter 564 of 2001 required the State Board of Elections, in consultation with local election boards, to select and certify a uniform statewide voting system with the costs to be split equally between the State and local jurisdictions. The legislation was the result of the Governor's Special Committee on Voting Systems and Election Procedures, which submitted its recommendations in February 2001. The recommendations address concerns arising from the 2000 presidential election regarding uniformity in voting systems among local jurisdictions. The legislation required the State to provide financial grants to the counties through the annual budget bill for the exclusive purpose of reducing the fiscal impact of purchasing new voting equipment. Since fiscal 2003, the State has provided local governments with \$24.2 million in voting system grants.

Legal Reference

Section 6, Chapter 564, Acts of 2001

Baltimore City Share of Security Interest-filing Fee

Pursuant to Chapter 163 of 1996, since fiscal 1998, Baltimore City has received a grant equal to \$5 of each security interest-filing fee collected by the Motor Vehicle Administration. The legislation also revised the allocation of highway user revenues between Baltimore City and the other subdivisions. In addition, the legislation was contingent on the enactment of other legislation increasing aid under the disparity grant formula (Chapter 173, Acts of 1996). The fiscal 2007 State budget includes \$3.1 million for Baltimore City.

Legal Reference

Transportation Article, Section 13-208

Retirement Costs for Certain Officials and County Employees

Under State law, appointed or elected officials of the State are eligible to be members of the State employees' retirement systems. The statute specifies that this provision applies to State's Attorneys and sheriffs. Over the years, judicial decisions and Attorney General's opinions have interpreted these provisions to include the following officials: county treasurers, county commissioners, orphans' court judges, bingo board members, and license and liquor commissioners. The statute also provides that certain employees of the Baltimore City Sheriff's Office are to be included in the State employees' retirement systems. Another provision made Baltimore City deputy sheriffs eligible for the Law Enforcement Officers' Pension System. The State pays the retirement benefits for these officials and employees, but prior to fiscal 2000 the State did not appropriate funds for the employer contributions. Language in the fiscal 1999 budget bill required that the funding be provided in the budget beginning with fiscal 2000.

The fiscal 2007 State budget includes \$1.8 million for employer retirement costs associated with these locally paid officials and employees. The amount is based on the June 30, 2005 salary base for these employees increased by 5 percent. No growth factor is applied to the salary base for judges. Exhibit 17.4 shows the calculation. This is similar to the approach used to determine the State retirement payments for local teachers, community college faculty, and librarians. Exhibit 17.5 shows the employer contributions allocated on a county-by-county basis in fiscal 2007. Baltimore City accounts for 76 percent of the individuals eligible to receive State paid retirement benefits under this program.

Legal Reference

State Personnel and Pensions Article, Sections 22-205, 23-201, and 26-201

Exhibit 17.4 Computations of Retirement Costs in Fiscal 2007

<u>Retirement System</u>	<u>Salary Base June 30, 2005</u>	<u>Increased by 5%</u>	<u>Contribution Rate</u>	<u>Total Cost</u>
Employees Retirement/Pension	\$5,697,396	\$5,982,266	6.83%	\$408,589
Law Enforcement Officers Retirement/Pension	3,025,382	3,176,651	40.60	1,289,720
Orphans' Court Judges ¹	341,065	341,065	42.43	144,714
Total				\$1,843,023

¹Fiscal 2005 amount for Orphans' Court Judges is not increased by 5%.

Note: Numbers may not sum to total due to rounding.

Source: State Retirement Agency

Exhibit 17.5
State Paid Retirement Costs for Locally Paid Officials and Employees
Fiscal 2007

<u>County</u>	<u>Number of Individuals</u>	<u>Percent of Total</u>	<u>Allocation of State Aid</u>	<u>Type of Position</u>
Allegany	2	0.9%	\$10,854	Sheriff, State's Attorney
Anne Arundel	2	0.9	31,429	Sheriff, Master Judge
Baltimore City	172	76.4	1,584,403	Sheriff Deputies (164), Master Judges (8)
Baltimore	3	1.3	17,055	Sheriff, State's Attorney, Master Judge
Calvert	0	0.0	0	None
Caroline	2	0.9	9,667	State's Attorney, County Treasurer
Carroll	5	2.2	36,765	State's Attorney, Orphan's Ct. Judges (3), Master Judge
Cecil	2	0.9	11,951	State's Attorney, County Treasurer
Charles	0	0.0	0	None
Dorchester	3	1.3	12,357	Sheriff, State's Attorney, County Treasurer
Frederick	0	0.0	0	None
Garrett	4	1.8	5,916	State's Attorney, License & Liquor Board (2), County Commissioner
Harford	0	0.0	0	None
Howard	3	1.3	16,009	State's Attorney, Orphan's Ct. Judge, Master Judge
Kent	1	0.4	3,801	County Treasurer
Montgomery	1	0.4	7,728	Sheriff
Prince George's	5	2.2	47,465	State's Attorney, Master Judges (4)
Queen Anne's	4	1.8	7,923	State's Attorney, Orphan's Ct. Judges (3)
St. Mary's	1	0.4	7,197	State's Attorney
Somerset	0	0.0	0	None
Talbot	2	0.9	10,874	Sheriff, State's Attorney
Washington	0	0.0	0	None
Wicomico	2	0.9	12,934	Sheriff, State's Attorney
Worcester	11	4.9	8,695	State's Attorney, Orphan's Ct. Judges (2), Misc. Boards (8)
Total	225	100.0%	\$1,843,023	

Source: Department of Budget and Management

Horse Racing Impact Aid

Since 1947, the State has shared with the local governments revenues derived from the tax on horse racing. In 1975, impact aid was established to provide additional horse racing tax revenues to those subdivisions where mile thoroughbred tracks were located. Concurrent with a significant reduction in the State tax on horse racing in 1985 (from 4.09 to 0.5 percent), the State eliminated the local per capita distribution of horse racing taxes while retaining the impact aid distributions. In 1997, the State lowered the tax rate on horse racing to 0.32 percent with a provision to revert the rate back to 0.5 percent on

July 1, 1999; however, Chapter 291 of 1999 extended the horse racing tax of 0.32 percent to July 1, 2000. The Racing Act of 2000 (Chapter 309 of 2000) further extended the horse racing tax of 0.32 percent.

Horse racing impact aid involves grants to counties and municipal corporations which contain or are located close to thoroughbred racetracks. Currently, Anne Arundel, Baltimore, and Howard counties, and the cities of Baltimore and Laurel, receive impact aid grants. Exhibit 17.6 shows the allocation of Horse Racing Impact Aid for the last three years.

Legal Reference

Business Regulation Article, Section 11-404

Exhibit 17.6 Horse Racing Impact Aid Fiscal 2005-2007

<u>County</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Anne Arundel	\$425,000	\$420,000	\$420,000
Baltimore City	548,800	585,100	585,100
Baltimore	50,000	50,000	50,000
Howard	106,250	105,000	105,000
Prince George's	182,050	181,300	181,300
Total	\$1,312,100	\$1,341,400	\$1,341,400

Source: Department of Legislative Services

Payments in Lieu of Taxes

Legislation enacted in 1996 required the State to provide Baltimore City with a grant in lieu of property taxes on certain port property beginning in fiscal 1998. This new grant coincided with the change in the distribution of highway user revenues that took effect that year (fiscal 1998). The grant amount was specified in statute for the first two years; \$410,000 in fiscal 1998 and \$418,200 in fiscal 1999. Beginning in fiscal 2000, the grant amount equals the Baltimore City property tax rate multiplied by the assessment of the port properties. Anne Arundel and Baltimore counties also receive a small portion of

these grants. Exhibit 17.7 shows the allocation of payments in lieu of taxes for the last three years.

Legal Reference

Transportation Article, Section 6-411

Exhibit 17.7
Payments in Lieu of Taxes
Fiscal 2005-2007

<u>County</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Anne Arundel	\$75,000	\$75,000	\$75,000
Baltimore City	1,530,082	1,529,334	930,084
Baltimore	138	138	138
Total	\$1,605,220	\$1,604,472	\$1,005,222

Source: Department of Legislative Services

Senior Citizen Activities Center Operating Fund

Legislation enacted in 2000 established the Senior Citizen Activities Center Operating Fund. The Governor is required to include an appropriation of \$500,000 for the fund in the budget submitted to the General Assembly. The fund is to supplement any existing funding for senior centers and may not be used to supplant existing funding.

At least 50 percent of the funds are to be distributed to senior centers in economically distressed areas. These areas have an unemployment rate 150 percent greater than the average of the rest of the State for the most recent 18-month period or where the average per capita personal income is equal to or less than 67 percent of the average personal per capita income for the rest of the State for the most recent 24-month period. The remaining funds are distributed based on a competitive grant process. Operating fund grants are provided for innovative programming, and the State grants must be matched 100 percent by the grant recipient. Also, the grants are not to exceed three years. The fiscal 2007 State budget includes \$500,000 in operating grant.

Legal Reference

Article 70B, Sections 33 through 35

Chapter 18. Federal Aid

Local governments receive federal financial assistance either directly from the federal government or from the State in the form of “pass-through” federal grants that are administered by State agencies. Direct payments include Community Development Block Grants, housing grants, Head Start grants, mass transit funding, and higher education grants. Pass-through grants occur mainly in the areas of primary and secondary education, vocational education, health and human services, and law enforcement.

Federal aid accounts for a small percentage of local government revenues. In fiscal 2004, federal aid accounted for 7.6 percent of county revenues and 2.9 percent of municipal revenues. Over the last 10 years, the federal aid share of local revenues has increased. In fiscal 1994, federal aid accounted for 6.4 percent of county revenues and 2.7 percent of municipal revenue. The average annual growth in federal aid over the last 10 years has exceeded other revenue sources for county governments. From fiscal 1994 to 2004, federal aid to county governments has increased at an average annual rate of 7.7 percent compared to 6.0 percent for total county revenues. Federal aid for municipal corporations has increased at an average annual rate of 5.8 percent compared to 5.0 percent for total municipal revenues. Exhibit 18.1 shows the growth in federal aid over the last 10 years for both county and municipal governments.

Exhibit 18.1
Federal Aid to Maryland Local Governments
Selected Fiscal Years
(\$ in Millions)

	<u>FY 1994</u>	<u>FY 2004</u>	<u>Percent Change</u>
Counties	\$662.5	\$1,391.8	110.1%
Municipal Corporations	<u>14.1</u>	<u>24.8</u>	76.3%
Total	\$676.5	\$1,416.6	109.4%

Source: *Local Government Finances in Maryland*, Department of Legislative Services

Major Funding Categories

The major areas in which local governments receive federal funds include primary and secondary education, community colleges, health and human services, housing and community development, public safety, and transportation. In fiscal 2004, county governments and Baltimore City received federal aid totaling \$1.4 billion and municipal corporations received \$24.8 million. Of the aid provided to counties and Baltimore City, approximately \$573.9 million (41.2 percent) was for primary and secondary education, \$76.3 million (5.5 percent) was for community colleges, \$103.3 million (7.4 percent) was for local health departments, \$294.3 million (21.1 percent) was for community development, and \$344.1 million (24.7 percent) was for other programs. Exhibit 18.2 presents federal funds by category for Baltimore City and county governments in fiscal 2004. A description of some of the major federal aid programs in the various areas follows. Exhibit 18.3 presents a summary of federal aid reported by local governments on a county-by-county basis for fiscal 2004.

Primary and Secondary Education

Title 1 – Grants to Local Education Agencies

Title 1 grants are a significant source of federal aid to local school systems. The grants help local school systems target and assist children disadvantaged by poverty to successfully complete elementary and secondary education. State education agencies receive formula grants and administer the program. Local school systems receive grants from the State.

State Grants for Improving Teacher Quality

State Grants for Improving Teacher Quality provide funds to the states to support comprehensive reforms to improve teacher quality, to facilitate change and improvement in teacher education programs, and to reduce shortages of quality teachers in high-need school districts.

Food Services Program

The Food Services program provides general, free and reduced price subsidies for the National School Lunch program, the School Breakfast Program, the Summer Food Service Program, and the meal snacks for children enrolled in after school programs. Public schools are reimbursed at rates that are adjusted on an annual basis to reflect changes in the Food Away From Home Series of the Consumer Price Index.

Exhibit 18.2
Federal Aid to County Governments
Fiscal 2004

County	Public Schools	Community Colleges	Health Boards	Community Development	Other Programs	Total
Allegany	\$11,902,786	\$4,722,842	\$3,448,206	\$1,186,767	\$4,565,903	\$25,826,504
Anne Arundel	37,051,317	6,008,443	5,822,196	4,172,128	18,260,805	71,314,889
Baltimore City	112,554,556	0	29,995,077	83,505,717	136,718,170	362,773,520
Baltimore	68,268,588	18,673,325	7,373,726	45,942,470	19,351,608	159,609,717
Calvert	8,447,530	556,601	1,285,845	87,748	3,245,289	13,623,013
Caroline	5,375,709	589,105	1,586,011	0	682,276	8,233,101
Carroll	13,724,902	944,482	3,128,422	3,854,676	6,193,917	27,846,399
Cecil	9,926,312	549,630	1,778,025	3,356,306	3,173,456	18,783,729
Charles	13,512,790	2,701,007	2,645,217	6,801,413	5,760,347	31,420,774
Dorchester	5,906,436	533,052	1,723,780	0	1,489,288	9,652,556
Frederick	15,729,026	2,692,793	2,682,624	3,017,909	7,927,990	32,050,342
Garrett	5,203,179	991,194	1,558,910	380,218	1,803,921	9,937,422
Harford	19,827,210	2,152,119	2,849,591	7,468,458	5,774,700	38,072,078
Howard	18,159,011	3,223,274	2,006,723	1,784,455	4,956,018	30,129,481
Kent	2,789,047	280,526	1,104,398	165,491	820,909	5,160,371
Montgomery	74,606,851	12,547,840	7,137,957	77,939,650	55,502,503	227,734,801
Prince George's	89,783,530	11,723,820	12,453,574	52,720,671	42,003,569	208,685,164
Queen Anne's	5,856,237	729,368	1,168,333	1,559,121	1,947,591	11,260,650
St. Mary's	13,059,768	698,318	1,092,512	0	3,547,309	18,397,907
Somerset	4,608,406	0	1,422,030	296,447	2,121,941	8,448,824
Talbot	3,730,453	673,262	1,251,249	0	2,573,282	8,228,246
Washington	13,416,729	2,019,579	3,228,615	80,548	9,436,903	28,182,374
Wicomico	12,929,259	2,209,820	3,471,889	0	4,347,007	22,957,975
Worcester	7,510,555	1,039,915	3,039,891	0	1,867,494	13,457,855
Statewide	\$573,880,187	\$76,260,315	\$103,254,801	\$294,320,193	\$344,072,196	\$1,391,787,692

Source: *Local Government Finances in Maryland*, Department of Legislative Services

**Exhibit 18.3
Federal Aid
Fiscal 2004**

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$25,826,504	\$845,104	\$26,671,608	\$362	2
Anne Arundel	71,314,889	1,584,941	72,899,830	144	23
Baltimore City	362,773,520	0	362,773,520	577	1
Baltimore	159,609,717	0	159,609,717	205	16
Calvert	13,623,013	698,817	14,321,830	170	21
Caroline	8,233,101	949,568	9,182,669	298	7
Carroll	27,846,399	2,506,255	30,352,654	186	20
Cecil	18,783,729	86,238	18,869,967	203	17
Charles	31,420,774	133,230	31,554,004	237	14
Dorchester	9,652,556	23,293	9,675,849	316	6
Frederick	32,050,342	9,377,214	41,427,556	194	19
Garrett	9,937,422	2,086	9,939,508	331	4
Harford	38,072,078	383,053	38,455,131	166	22
Howard	30,129,481	0	30,129,481	114	24
Kent	5,160,371	17,515	5,177,886	263	9
Montgomery	227,734,801	1,838,482	229,573,283	250	12
Prince George's	208,685,164	979,710	209,664,874	250	11
Queen Anne's	11,260,650	0	11,260,650	255	10
St. Mary's	18,397,907	0	18,397,907	198	18
Somerset	8,448,824	59,865	8,508,689	334	3
Talbot	8,228,246	61,036	8,289,282	239	13
Washington	28,182,374	1,838,496	30,020,870	219	15
Wicomico	22,957,975	495,005	23,452,980	268	8
Worcester	13,457,855	2,898,471	16,356,326	330	5
Statewide	\$1,391,787,692	\$24,778,379	\$1,416,566,071	\$257	

Source: *Local Government Finances in Maryland*, Department of Legislative Services

Vocational Education Basic State Grant

Vocational Education Basic State Grants are designed to expand and improve programs of vocational education and provide equal access to vocational education for special needs populations. States apply for and receive grants to administer the program. Local school systems may apply to states to receive grant funds.

Special Education Basic State Grants

Special Education Basic State Grants are intended to make free public education available to all children with disabilities. Funds are used by State and local school systems. State education agencies apply for the grants and administer the program. Local school systems receive grants from the State.

Reading First State Grants

Reading First State Grants assist states and local education agencies to implement comprehensive reading instruction for children in kindergarten through third grade.

Technology Literacy Challenge Fund

Technology Literacy Challenge Grants provide formula grants to State education agencies for developing and implementing systemic technology plans at State, local, and school levels to improve the teaching and learning of children.

Adult Education – Basic Grants

Adult Education – Basic Grants improve literacy, computational, and other educational opportunities for adults who have not completed secondary school. State educational agencies administer the program and provide grants to local school systems, schools, and community-based organizations that have developed adult education programs.

Community Colleges

Pell Grants

Pell grants provide need-based assistance to low- and middle-income postsecondary students. The State's postsecondary institutions of higher learning receive the funds from the federal government and then act as the disbursing agent to students.

College Work-study Program

College Work-study programs provide part-time employment to postsecondary students to defray costs of education and enhance opportunities for community service. Colleges apply for grants and receive an administrative cost allowance for administering the program.

Federal Supplemental Education Opportunity Grants

The Federal Supplemental Education Opportunity Grants program provides grants of up to \$4,000 per academic year for students working on their first undergraduate baccalaureate degree. Colleges apply for grants and receive administrative cost allowances for administering the program.

National Foundation for the Humanities

The National Foundation for the Humanities funds project grants for research in the humanities, educational opportunities, research and writing of scholarly texts, translations of important works, preservation of texts and materials, museum exhibitions, and television and radio programs.

Perkins Loans Program

The Perkins Loans Program provides payments to institutions of higher education to enable the institutions to make low-interest loans to eligible students able to demonstrate financial need. Funds are distributed to institutions of higher education based on prior expenditures and demonstrated need. Students apply for the grants.

Health and Human Services

Food Program for Women, Infants, and Children

The Food Program for Women, Infants, and Children (WIC) provides supplemental nutritious foods, nutrition education, and health care referrals to low-income pregnant, breastfeeding, and postpartum women, as well as infants and children up to age five who are at nutritional risk. Nutrition and education are provided at no cost to program participants. States apply for WIC grants and administer the program. Local agencies that qualify under state agency guidelines may operate WIC programs.

Emergency Shelter Grants Program

The Emergency Shelter Grants Program helps improve the quality of emergency shelters and provides transitional housing for the homeless, including shelter operation costs and essential social services to help prevent homelessness. Metropolitan cities may apply for grants from the federal government. Other local governments receive grants through the state-administered program.

Head Start

Head Start provides comprehensive health, educational, nutritional, and other social services to economically disadvantaged preschool children. Services are primarily for families with incomes below the federal poverty level. Services are provided to children up to the age of five. At least 10 percent of enrollment in any Head Start program must be available for children with disabilities. Local governments apply to the federal government directly for grants.

Housing and Community Development

Operation of Low Income Housing Grants

Operation of Low Income Housing Grants provide subsidies to public housing authorities (PHAs) and Indian housing authorities (IHAs) to assist in funding the operation and maintenance expenses of PHA-owned and IHA-owned dwellings.

Community Development Block Grants

Community Development Block Grants (CDBG) provide funds to develop viable urban communities and expand housing and economic opportunities for persons of low to moderate income. One segment of this grant program is targeted to small cities, another is targeted to large cities, and a third segment is targeted to state governments that administer the program on behalf of small cities that would otherwise not be eligible. Cities and counties may apply directly for grants from the appropriate segment of the program. States administer the CDBG program and provide grants for other urban areas within their jurisdictions.

HOME Investment Grants

HOME Investment Grants are designed to expand the supply of affordable housing, especially rental housing, for low- and very low-income people. The grants also provide resources to help governments develop viable strategies to increase the supply of

decent, affordable housing. Urban counties, combinations of contiguous local government units, cities, and states may apply for program funding.

Public Housing Grants

Public Housing Grants are designed to provide and operate cost-effective, decent, safe, and affordable housing for lower-income families. Operating subsidy funds are available and capital funds are also provided for improvement of the condition of existing public housing. Local governments approve the proposed housing programs. Local governments or public housing agencies may apply for grants directly from the federal government.

Public Safety

Byrne Drug Control System Improvement Grants

Byrne Drug Control System Improvement Grants provide funds to improve the functioning of the criminal justice system with an emphasis on drug-related crime, violent crime, and serious offenders.

Juvenile Justice Grants

Juvenile Justice Grants provide funds to develop programs for greater accountability in the juvenile justice system and to support the development of more effective education, training, research, prevention, diversion, treatment, and rehabilitation programs in juvenile delinquency.

Violence Against Women Formula Grants

Violence Against Women Formula Grants provide resources to develop and strengthen victim services and law enforcement and prosecution strategies to combat violent crimes against women. States apply for grants and allocate grants to eligible local government units.

Bioterrorism Preparation Grants

Bioterrorism Preparation Grants provide resources to develop and implement plans to prevent and respond to bioterrorism.

Transportation

Surface Transportation Grants

Surface Transportation Grants, composed of several grant programs, provide funds for highways, mass transit, urban highway systems, and interstate maintenance.

Federal Transit Capital Improvement Grants

Federal Transit Capital Improvement Grants comprise several programs that provide financial resources for the acquisition of real property, and the construction, reconstruction, and improvement of rolling stock and other mass transit equipment. Grants are also targeted to coordination between transit and nearby highway systems and the introduction of new technology. Municipal corporations, counties, and other subdivisions with the capacity to carry out and maintain mass transit service may apply for the grants.

Federal Transit Capital and Operating Assistance Grants

Federal Transit Capital and Operating Assistance Grants provide capital grants for the acquisition, construction, and improvement of rolling stock and other mass transit equipment. Funds are also provided for the operational expenses of mass transit systems. The grants are targeted toward urbanized areas. Municipal corporations with populations over 200,000 may apply for the grants directly. Officials of urbanized areas with populations of 50,000 to 200,000 apply for the grants through the states.

Bridge Repair and Restoration

Bridge Repair and Restoration Grants provide funding for projects rehabilitating or replacing unsafe or otherwise deficient bridges. Funds are distributed based on a state's relative share of the total cost to repair all deficient bridges.

Public Transportation for Nonurbanized Areas Grants

The Public Transportation for Nonurbanized Area Grants provide financial assistance to nonurbanized and rural areas. Grants for capital acquisition of facilities and mass transit equipment are available, as well as grants to defray operating expenses. Local governments and local mass transit systems may apply for the grants directly.

Chapter 19. Local Indebtedness

Local governments in Maryland may incur various kinds of debt – general obligation, revenue/enterprise, State/federal loans, and short-term. This debt is authorized by the General Assembly, local legislation, voter approval, or administrative action. Total indebtedness of a local government may be subject to legal limitations such as a percentage of the property assessable base. As of June 30, 2004, local debt outstanding amounted to approximately \$12.1 billion. From fiscal 1999 to 2004, it increased by 21.8 percent, as shown in Exhibit 19.1. This chapter will review these aspects of locally assumed debt.

Exhibit 19.1 Maryland Local Government Debt Outstanding Selected Fiscal Years (\$ in Millions)

	<u>FY 1999</u>	<u>FY 2004</u>	<u>Percent Change</u>
Counties	\$9,449.6	\$11,521.6	21.9%
Municipal Corporations	<u>505.7</u>	<u>605.2</u>	19.7%
Total	\$9,955.3	\$12,126.8	21.8%

Source: *Local Government Finances in Maryland*, Department of Legislative Services

Types of Debt

General obligation debt consists of bonds to which the “full faith and credit” of the applicable jurisdiction has been pledged for payment of the debt service (annual principal and interest payments). Full faith and credit indicates that its taxing authority backs the issuer’s commitment to the bond.

Under revenue/enterprise or “self-supporting” debt, the revenues earned by the facility constructed with the bond proceeds support the debt service. Typical examples of these facilities are sewer and water projects and parking garages and lots.

Since State/federal loans to local governments consist mainly of debt incurred by the State, technically they are a State debt. However, State law authorizing the debt

generally makes the annual debt service an obligation of the local government receiving the proceeds of the bonds. This type of debt is commonly incurred for programs like sewer and highway construction.

Short-term debt is incurred in anticipation of being repaid within a short time, usually less than 18 months. It is typically incurred in anticipation of taxes being collected or a sale of long-term debt.

Ninety-five percent of the local government debt is at the county level. Nearly all this debt is given a credit rating by the major rating houses. Exhibit 19.2 shows the credit rating for each county for general obligation bonds by the three major rating agencies: Standard & Poor's, Moody's Investors Service, and Fitch Ratings, as of November 1, 2005. The highest bond rating issued by Moody's to Maryland counties is Aaa while the lowest is Baa1. For Standard & Poor's, the highest rating among Maryland counties is AAA while the lowest is A-; and for Fitch, the highest rating is AAA and the lowest is A+.

Procedures

State law determines the procedures local governments must follow to create debt. Commission counties do not have the legislative power to create debt; General Assembly authorization is required before any bonds can be sold. In a charter home rule county, if the charter does not specifically provide that local laws authorizing the creation of debt must be submitted to the voters, such laws may be petitioned to the ballot. Revenue/enterprise bonds are exempt from this voter approval option. For code home rule counties, a local law authorizing debt does not need to be submitted to the voters.

For Baltimore City, the Maryland Constitution and the city charter outline the following process for approving debt: (1) the members of the city delegation to the General Assembly must approve the debt or the debt must be authorized by the General Assembly; (2) the Mayor and City Council must enact an ordinance placing the proposed debt on the ballot; and (3) the city voters must approve it. Revenue/enterprise debt requires only an ordinance of the Mayor and City Council.

For the municipal corporations, State law provides that general obligation debt and short-term debt may be issued pursuant to the provisions of State law or the applicable municipal charter, and that municipal resolutions or ordinances authorizing debt do not need to be submitted to the voters. In addition, short-term debt must mature within 18 months of its issuance. Municipal corporations may issue revenue/enterprise bonds and create special taxing districts for storm drains, parking facilities, pedestrian malls, streets, and lighting. They also may levy taxes in the districts to pay the debt service on municipal general obligation debt issued for the purposes of the district.

Exhibit 19.2
Credit Rating as of November 1, 2005

<u>County</u>	<u>S&P</u>	<u>Moody's</u> ¹	<u>Fitch</u>
Allegany	A-	Baa1	-
Anne Arundel	AA+	Aa1	AA+
Baltimore City	A+	A1	A+
Baltimore	AAA	Aaa	AAA
Calvert	AA	Aa2	AA+
Caroline	-	A3,Aaa	-
Carroll	AA	Aa2	AA+
Cecil	AA-	A1	-
Charles	AA	Aa2	AA+
Dorchester	A	A2	-
Frederick	AA	Aa2	AA+
Garrett ²	AAA	Aaa	-
Harford	AA+	Aa1	AA+
Howard	AAA	Aaa	AAA
Kent	-	A	-
Montgomery	AAA	Aaa	AAA
Prince George's	AA	Aa2	AA+
Queen Anne's	-	A1	AA
St. Mary's	AA-	Aa3	AA
Somerset	-	-	-
Talbot	-	Aa3	-
Washington	A+	A1	AA-
Wicomico	A+	A2	A+
Worcester	-	Aa3	AA-

¹Rating is for general obligation bonds. (-) means not rated.

²MBIA – insured for specific projects. Not county rating.

Source: Maryland Association of Counties

Limitations

Commission counties do not have statutory debt limitations. However, the necessity for General Assembly authorization to create debt serves as a limitation on commission county debt creation.

Under State law, charter county debt is limited to 6 percent of real property assessable base and 15 percent of personal property and operating real property assessable base of the county. Certain types of debt, however, are excluded from this limitation: tax anticipation bonds and notes having a maturity not in excess of 12 months; special taxing district debt; and self-liquidating debt. In addition, charter counties may adopt lower limitations, and four have done so:

- Anne Arundel – 5.6 percent of real property and 14.0 percent of personal property and certain operating real property for water and sewer bonds, and 5.2 percent of real property and 13.0 percent of personal property and certain operating real property for other debt;
- Baltimore – 4 percent of real property and 10 percent of personal property;
- Howard – 4.8 percent of real property and 12.0 percent of personal property; and
- Wicomico – 3.2 percent of real property and 8.0 percent of personal property.

Unlike charter counties, code counties do not have statutory debt limitations although the General Assembly may limit their property tax rates and regulate the maximum amount of indebtedness. To date, the General Assembly has not exercised these powers for any code county.

While Baltimore City does not have a statutory general obligation debt limitation, the General Assembly may fix a limit on the amount of debt the city has outstanding at any one time. To date, the General Assembly has not set a limitation on the city's debt.

Municipal debt limitations may be set under two provisions. The General Assembly may adopt, amend, or repeal a local law regulating the maximum amount of debt a municipal corporation may create. The voters of the applicable municipal corporation must subsequently approve this limitation. In addition, through its legislative powers, a municipal corporation may establish a debt limitation in its charter, provided that the voters approve this limitation.

Exhibit 19.3 shows indebtedness for each county in fiscal 1999 and 2004, and Exhibit 19.4 shows municipal indebtedness by county in fiscal 1999 and 2004.

Comparative Measures

Population and assessable base are two common analytical measures used to determine a manageable debt load for a jurisdiction. Exhibit 19.5 shows the per capita debt amounts and the county debt as a percentage of the county's assessable base for fiscal 1999 and 2004.

Per capita debt for Maryland counties totaled \$2,091 in fiscal 2004. Baltimore City and Howard, Montgomery, and Prince George's counties had the highest per capita debt. The high ratios in Montgomery and Prince George's counties were attributed to the inclusion of the Washington Suburban Sanitary Commission's debt. Excluding this debt, the per capita debt amounts in fiscal 2004 decreased to \$2,572 in Montgomery County and \$1,343 in Prince George's County. Howard County's high ratio resulted from debt for financing general county improvement projects, storm drain projects, housing projects, community renewal projects, and parks and recreation projects. Allegany, Somerset, and Talbot counties had the lowest per capita debt amounts. For comparative purposes, the State's debt in fiscal 2004 amounted to \$1,931 per person and municipal corporation/special taxing districts had a ratio of \$746 per person in fiscal 2004. Over a five-year period, per capita county debt has increased by 14.5 percent.

County debt as a percentage of a county's assessable base averaged 3.0 percent in fiscal 2004, ranging from less than 1.0 percent in Talbot and Worcester counties to over 8.0 percent in Baltimore City. For comparative purposes, the State had a debt-to-assessable-base ratio of 2.9 percent in fiscal 2004 and municipal corporations/special taxing districts had a ratio of 1.1 percent.

Exhibit 19.3
Total County Debt Outstanding
Selected Fiscal Years

County	FY 1999	FY 2004	Percent Change
Allegany	\$74,405,711	\$53,843,310	-27.6%
Anne Arundel	626,572,904	744,837,306	18.9
Baltimore City	1,059,617,482	1,708,014,055	61.2
Baltimore	863,889,147	1,307,769,939	51.4
Calvert	67,539,202	105,554,136	56.3
Caroline	23,467,078	29,702,565	26.6
Carroll	208,617,232	204,173,248	-2.1
Cecil	64,543,788	86,588,993	34.2
Charles	112,343,578	199,901,739	77.9
Dorchester	20,145,617	30,136,408	49.6
Frederick	214,330,305	376,180,169	75.5
Garrett	21,501,908	29,288,972	36.2
Harford	246,489,017	285,534,027	15.8
Howard	679,518,044	705,553,697	3.8
Kent	12,276,295	19,052,026	55.2
Montgomery	2,903,323,471	3,182,429,042	9.6
Prince George's	1,794,819,026	1,894,509,306	5.6
Queen Anne's	53,698,175	74,082,567	38.0
St. Mary's	101,488,736	161,748,976	59.4
Somerset	16,524,820	14,701,287	-11.0
Talbot	20,859,546	28,660,522	37.4
Washington	143,301,085	147,504,683	2.9
Wicomico	77,220,710	77,057,494	-0.2
Worcester	43,059,464	54,747,206	27.1
Total	\$9,449,552,341	\$11,521,571,673	21.9%

Note: The Washington Suburban Sanitary Commission's (WSSC) debt is allocated to both Montgomery and Prince George's counties on a 50/50 basis.

Source: *Local Government Finances in Maryland*, Department of Legislative Services

Exhibit 19.4
Total Municipal Debt Outstanding
Selected Fiscal Years

County	FY 1999	FY 2004	Percent Change
Allegany	\$39,412,706	\$15,428,548	-60.9%
Anne Arundel	35,084,463	41,397,653	18.0
Baltimore City	0	0	
Baltimore	0	0	
Calvert	11,674,376	11,707,560	0.3
Caroline	13,197,124	13,623,406	3.2
Carroll	11,332,691	22,393,669	97.6
Cecil	8,522,119	13,283,181	55.9
Charles	3,817,867	12,415,885	225.2
Dorchester	9,046,306	17,766,625	96.4
Frederick	69,129,957	109,089,008	57.8
Garrett	4,131,858	3,236,949	-21.7
Harford	17,312,663	33,160,980	91.5
Howard	0	0	
Kent	5,250,434	5,433,915	3.5
Montgomery	32,169,644	69,580,979	116.3
Prince George's	46,708,368	35,793,986	-23.4
Queen Anne's	322,325	471,671	46.3
St. Mary's	1,317,503	2,065,535	56.8
Somerset	3,686,541	5,252,202	42.5
Talbot	28,794,208	28,130,325	-2.3
Washington	34,432,839	33,999,799	-1.3
Wicomico	26,035,065	34,194,063	31.3
Worcester	104,343,774	96,797,522	-7.2
Total	\$505,722,831	\$605,223,461	19.7%

Source: *Local Government Finances in Maryland*, Department of Legislative Services

Exhibit 19.5
County Debt Measures
Selected Fiscal Years

County	Per Capita Debt			Percent of Assessable Base	
	FY 1999	FY 2004	% Change	FY 1999	FY 2004
Allegany	\$1,046	\$732	-30.0%	3.0%	2.1%
Anne Arundel	1,304	1,426	9.3	2.0	1.8
Baltimore City	1,675	2,746	64.0	5.8	8.4
Baltimore	1,193	1,661	39.2	2.1	2.7
Calvert	916	1,199	31.0	1.2	1.5
Caroline	790	955	20.9	2.1	2.0
Carroll	1,368	1,221	-10.8	2.5	1.9
Cecil	766	899	17.3	1.5	1.5
Charles	929	1,445	55.6	1.6	2.1
Dorchester	678	988	45.7	1.4	1.7
Frederick	1,123	1,674	49.1	1.9	2.5
Garrett	732	983	34.3	1.3	1.3
Harford	1,131	1,209	6.9	2.2	2.0
Howard	2,795	2,531	-9.5	3.8	2.9
Kent	643	962	49.6	1.0	1.2
Montgomery	3,407	3,340	-2.0	3.9	3.3
Prince George's	2,296	2,189	-4.6	4.6	4.1
Queen Anne's	1,320	1,635	23.9	1.9	1.8
St. Mary's	1,143	1,717	50.2	2.2	2.8
Somerset	682	563	-17.4	2.4	1.8
Talbot	622	817	31.3	0.7	0.6
Washington	1,121	1,077	-4.0	2.5	1.9
Wicomico	971	864	-11.0	2.2	1.8
Worcester	986	1,067	8.3	0.7	0.7
Total	\$1,827	\$2,091	14.5%	3.1%	3.0%

Note: The Washington Suburban Sanitary Commission's (WSSC) debt is allocated to both Montgomery and Prince George's counties on a 50/50 basis.

Source: Department of Legislative Services

Chapter 20. State Assumption of Local Functions

One aspect of State and local fiscal relationships 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.

Numerous reasons underlie State assumption of local functions over the last four decades. In the case of public assistance and social services programs, local officials exercised almost no discretionary authority. The local property assessment function was taken over to relieve inequities in the assessment process. The local property tax credit programs for elderly homeowners were taken over by the State to bring about a greater degree of uniformity in the credits and to change the funding of the program from the local property tax to State revenues. State assumption of the Baltimore City detention center, central booking facility, and community college helped to alleviate fiscal pressures in Baltimore City while providing quality services to city residents. As shown in Exhibit 20.1, local functions in Baltimore City cost the State \$156.9 million in fiscal 2007 while local circuit court functions cost approximately \$112.1 million.

Exhibit 20.1
Local Government Functions Assumed by State
Selected Fiscal Years
(\$ in Millions)

	<u>FY 1997</u>	<u>FY 2007</u>	<u>Percent Change</u>
Baltimore City Functions	\$80.9	\$156.9	93.9%
Local Circuit Courts	<u>49.3</u>	<u>112.1</u>	127.5%
Total	\$130.2	\$269.0	106.6%

Source: Department of Legislative Services

Baltimore City Functions

In the past, when the State assumed a local function, it assumed the function for all jurisdictions in the State. Recently, however, with the exception of circuit court costs, State assumption of local functions has been specific to Baltimore City. Exhibit 20.2 shows the amount of State funding for the three assumed local government functions in Baltimore City.

Exhibit 20.2
Baltimore City Functions Assumed by the State

Fiscal	Community College	Detention Center	Central Booking	Total
1991	\$16,441,041	\$0	\$0	\$16,441,041
1992	15,106,231	38,523,405	0	53,629,636
1993	15,988,943	39,846,163	0	55,835,106
1994	15,692,726	41,713,496	0	57,406,222
1995	16,553,481	44,274,606	1,692,405	62,520,492
1996	16,591,279	45,758,516	12,866,871	75,216,666
1997	17,162,176	42,792,246	20,951,369	80,905,791
1998	17,958,908	43,273,672	24,341,262	85,573,842
1999	19,760,637	47,521,977	27,619,129	94,901,743
2000	23,036,036	49,236,496	27,028,720	99,301,252
2001	26,457,291	53,998,165	30,835,156	111,290,612
2002	29,740,323	54,444,828	33,410,109	117,595,260
2003	29,903,818	61,722,074	35,481,438	127,107,330
2004	29,460,360	64,219,067	36,052,822	129,732,249
2005	30,425,029	66,135,300	38,481,785	135,042,114
2006	34,313,544	69,698,698	41,639,794	145,652,036
2007	35,024,587	76,836,976	45,028,479	156,890,042

Source: Department of Legislative Services

Baltimore City 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. County governments spent approximately \$271.5 million in fiscal 2004 on local correctional services. 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 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 city's central booking and intake facility originally opened in fiscal 1996. As shown in Exhibit 20.2, the State will spend approximately \$76.8 million in fiscal 2007 to operate the Baltimore City Detention Center and \$45.0 million to operate the Baltimore City Central Booking and Intake Facility.

State funding for these two facilities has increased significantly in recent years. From fiscal 2002 to 2007, State funding for the Baltimore City Detention Center increased at an average annual rate of 7.1 percent while funding for the Central Booking and Intake Facility increased 6.2 percent. A primary reason behind this sharp growth in funding is the large number of arrests within the city. The Central Booking and Intake Facility was expected to process 45,000 to 65,000 individuals per year; however, in fiscal 2005, the facility processed 94,659 individuals.

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, local community colleges receive around 24 percent of their operating funding from the State and 30 percent 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. The college was authorized to be a State agency for

three years and was scheduled to become a local entity on July 1, 1993, but legislation enacted in 1992 made the community college a permanent State institution of higher education. As shown in Exhibit 20.2, State funding for the Baltimore City Community College totals approximately \$35.0 million in fiscal 2007.

Local Circuit Court Functions

The circuit courts are the highest trial courts exercising jurisdiction within the State. Generally, the circuit courts handle major civil cases, the more serious criminal cases, all family and juvenile law cases, and appeals from the District Court and certain administrative agencies. The circuit courts are funded by the State and local governments; local governments funded all circuit court costs until fiscal 1946 when the State assumed the funding of circuit court judges' salaries.

Beginning in fiscal 1986, the State assumed personnel and operational costs of circuit court clerks offices; prior to fiscal 1986 the clerks offices were funded by fees with a State appropriation to cover any deficiencies. Beginning in fiscal 1997, the State assumed the costs of new standing masters and by fiscal 2003 had assumed all compensation costs for standing masters. While standing masters employed in fiscal 2001 had the choice of becoming State employees or remaining county employees with salaries funded by the State, all standing masters hired on or after July 1, 2002, are required to be State employees.

In fiscal 1999, the State assumed all costs for the family divisions and family services. In fiscal 2000, the State began contributing \$5 for each juror per diem; in fiscal 2002 the contribution increased \$15. In fiscal 2006, the State increased the juror per diem from \$15 to \$50 after the fifth day of juror service. Also in fiscal 2002, the State began providing funding for the costs of court interpreters. All local savings generated by State assumption of circuit court costs must be used by the local jurisdiction solely for circuit court costs or related public safety purposes.

The State assumed funding for law clerks of circuit court judges beginning in fiscal 2004. A provision in the Budget Reconciliation and Financing Act (BRFA) of 2003 required local jurisdictions to make a 25 percent contribution for the salaries of circuit court law clerks. This provision was repealed in 2006, effective fiscal 2007. The law requires the State to fund the employment of one law clerk for each circuit court judge hired on or after July 1, 2002. The counties are required to utilize their cost savings for other circuit court expenditures or related public safety measures while not supplanting current expenditures.

Most recently, the State has begun to assume the cost of circuit court facilities with lease payments to local jurisdictions. As originally enacted in 2002, State assumption was to begin fiscal 2004. However, the 2003 BRFA delayed the circuit court rent payments until fiscal 2007. In fiscal 2007 the State will pay local jurisdictions \$250,000 in rent for space occupied in county facilities by the circuit court clerks at a rate of \$2.50 per net useable square foot. The rent increases to \$5 in fiscal 2008 and to \$10 in fiscal 2009.

As noted in Exhibit 20.3, State assumed costs of local circuit court functions totals \$112.1 million in fiscal 2007. Exhibit 20.4 shows the estimated State assumed costs by jurisdiction for fiscal 2006.

History of State Assumption of Other Local Functions

Health and Social Service Programs

Public Assistance

As a result of an extensive study by the Legislative Council's Committee on Taxation and Fiscal Matters, legislation was enacted in 1961 that placed an overall limitation on total local spending for welfare programs. Legislation was subsequently enacted that changed the role of the local boards to an advisory status and enlarged the role of the State Department of Social Services in determining eligibility standards and grant levels pursuant to federal law and regulations. In December 1973, the Commission on the Functions of Government issued a report recommending that welfare programs should be financed jointly by the federal and State governments and that local governments should be relieved of financial responsibility for a program over which there was almost no local discretionary authority. The Governor provided funds in fiscal 1974 to reduce local financial responsibilities for welfare. Legislation was subsequently adopted at the 1974 session providing for a phase-out of local funding mechanisms by the end of fiscal 1976.

Food Stamp Program

Prior to 1980, local governments administered the federal Food Stamp Program. Legislation enacted in 1979 transferred responsibility for funding the administration of the federal Food Stamp Program to the State.

Exhibit 20.3
Local Circuit Court Functions Assumed by the State

Fiscal	Clerks of Court	Juror Fees	Masters' Salaries	Law Clerks	Family Court	Interpreters	Court Leases	Total
1991	\$40,447,378	\$0	\$0	\$0	\$0	\$0	\$0	\$40,447,378
1992	40,178,230	0	0	0	0	0	0	40,178,230
1993	41,270,378	0	0	0	0	0	0	41,270,378
1994	42,669,753	0	0	0	0	0	0	42,669,753
1995	44,429,640	0	0	0	0	0	0	44,429,640
1996	47,038,793	0	0	0	0	0	0	47,038,793
1997	49,299,644	0	0	0	0	0	0	49,299,644
1998	47,868,594	0	0	0	0	0	0	47,868,594
1999	52,741,913	0	0	0	4,371,720	0	0	57,113,633
2000	57,770,131	0	0	0	5,258,981	0	0	63,029,112
2001	58,907,656	0	0	0	6,599,614	0	0	65,507,270
2002	65,327,986	3,012,989	0	0	7,199,222	487,377	0	76,027,574
2003	64,218,086	3,327,656	3,908,792	0	7,634,975	565,475	0	79,654,984
2004	63,727,796	3,398,168	5,739,485	6,247,463	7,741,459	669,878	0	87,524,249
2005	68,917,535	2,759,395	5,950,757	6,626,376	8,528,986	751,238	0	93,534,287
2006	73,518,909	4,031,666	6,309,425	6,666,730	9,521,963	902,287	0	100,950,980
2007	82,418,868	3,975,000	6,911,545	7,510,776	10,234,140	841,420	250,000	112,141,749

Source: Administrative Office of the Courts

Exhibit 20.4
Local Circuit Court Functions Assumed by the State
Fiscal 2006 Estimated Expenditures
(\$ in Thousands)

County	Clerks of Court	Juror Fees	Masters' Salaries	Law Clerks	Family Court	Interpreters	Total
Allegany	\$916.1	\$38.5	\$0.0	\$92.0	\$152.6	\$0.0	\$1,199.2
Anne Arundel	5,646.8	240.9	573.6	459.8	710.0	0.0	7,631.0
Baltimore City	15,565.0	1,191.9	906.3	1,379.3	1,147.8	78.6	20,268.9
Baltimore	6,455.0	444.2	592.6	735.6	747.5	49.9	9,024.8
Calvert	1,033.6	17.9	0.0	92.0	217.1	0.0	1,360.6
Caroline	534.9	27.6	0.0	46.0	122.8	0.0	731.2
Carroll	1,517.7	32.9	175.3	137.9	245.9	0.0	2,109.8
Cecil	1,478.8	108.6	0.0	137.9	230.8	0.0	1,956.1
Charles	1,899.3	87.7	0.0	183.9	223.3	0.0	2,394.2
Dorchester	876.9	23.7	0.0	46.0	149.6	0.0	1,096.2
Frederick	1,894.0	101.7	107.7	183.9	192.1	0.0	2,479.3
Garrett	597.1	12.4	0.0	46.0	94.0	0.0	749.5
Harford	2,360.9	175.0	126.1	229.9	285.0	0.0	3,176.8
Howard	2,081.5	60.7	113.6	229.9	206.0	0.0	2,691.7
Kent	583.2	14.0	0.0	46.0	113.2	0.0	756.4
Montgomery	8,852.0	394.7	504.5	919.5	1,900.0	367.8	12,938.5
Prince George's	8,401.1	674.5	344.4	1,057.5	1,650.0	171.8	12,299.3
Queen Anne's	843.1	14.6	0.0	46.0	138.5	0.0	1,042.1
St. Mary's	1,173.8	60.3	0.0	137.9	116.6	0.0	1,488.6
Somerset	762.0	21.7	0.0	46.0	119.5	0.0	949.2
Talbot	589.6	34.6	0.0	46.0	134.8	0.0	805.0
Washington	1,726.1	92.0	107.7	137.9	200.0	0.0	2,263.7
Wicomico	1,252.8	137.0	0.0	137.9	278.9	0.0	1,806.7
Worcester	1,377.6	24.5	0.0	92.0	146.3	0.0	1,640.3
Unallocated	5,100.2	0.0	2,757.6	0.0	0.0	234.2	8,092.0
Total	\$73,518.9	\$4,031.7	\$6,309.4	\$6,666.7	\$9,522.0	\$902.3	\$100,951.0

Source: Administrative Office of the Courts

Medical Assistance

The State began to make contributions to hospitals for the cost of in-patient care of indigent persons in 1945. With the enactment of the federal Medical Assistance Program in 1966, State law was changed to require a State contribution of 80 percent and a local contribution of 20 percent for the cost of hospitalized indigent persons. The requirement for the 20 percent local contribution continued until 1973 when legislation placed a maximum dollar ceiling on the local contribution. At the 1974 session, the local contribution and maximum amount was reduced by half, and at the 1978 session, it was eliminated entirely.

Public Safety, Courts, and Judiciary

District Court System

The District Court was created in 1971 as a statewide entity after ratification of a constitutional amendment in 1970. The District Court replaced varying local trial magistrates, people's court systems, and municipal courts and is set up to handle some criminal, most motor vehicle, and many civil cases. All employees of the local court systems were transferred to the District Court. The State assumed responsibility for all administrative expenses and received the fines and costs collected by the court.

Office of the Public Defender

Prior to 1971, legal representation for indigent persons accused of criminal action rested with various programs within the various circuit courts subject to the availability of funds as provided by the counties and Baltimore City. In 1971, the statewide Office of the Public Defender was created by the General Assembly in response to a U.S. Supreme Court decision that indigent persons accused of criminal actions had a right to counsel and related services. The Office of the Public Defender replaced various circuit court programs throughout the State. Subsequent legal decisions have expanded the scope of the public defender program to include some administrative proceedings.

Baltimore City Pre-trial Release Services

Based on a report issued by the Clerks of the Court Task Force in 1984, legislation was enacted in 1985 that transferred the Baltimore City Pre-Trial Release Services Division from the Baltimore City Clerk of the Circuit Court to the State's Division of Parole and Probation within the Department of Public Safety and Correctional Services.

Court-ordered Mental Examinations

As part of pre-trial procedures, courts may request mental examinations of persons accused of serious crimes. Since the counties and Baltimore City were responsible for the administrative costs of the circuit court system, the State mental hospitals charged the local governments for the costs of these examinations. In 1977, legislation was enacted to relieve the counties and Baltimore City of the responsibility of paying for court-ordered mental examinations.

Probation Employees

Effective in fiscal 1974, local probation employees in Prince George's County and Baltimore City were transferred to the State's Division of Parole and Probation and local laws providing for probation departments in these jurisdictions were repealed or amended. In the following year, probation employees of Harford County were transferred to the State; Baltimore County probation employees were transferred in fiscal 1978. Now, all parole and probation services are provided by the Division of Parole and Probation in the Department of Public Safety and Correctional Services.

Child Support Enforcement

Legislation enacted in 1978 transferred Baltimore City's child support enforcement function to the State's Child Support Enforcement Administration of the Department of Human Resources. The legislation also authorized a county or circuit court with a local support enforcement office to request responsibility for support enforcement to be transferred to the Child Support Enforcement Administration. As of fiscal 2003, all local jurisdictions have transferred their child support functions to the State with various management arrangements with the Clerks of the Circuit Court now assuming the child support collection function in all 24 subdivisions.

Office of Post Mortem Examiners

Prior to fiscal 1981, Baltimore City funded certain positions in the Department of Post Mortem Examiners such as investigators, morgue assistants, and clerks, and the counties funded services of the deputy medical examiners. Legislation enacted in 1979 transferred the costs for post mortem examiners to the State and transferred all employees of the department to the State personnel system effective in fiscal 1981. Currently known as the Office of the Chief Medical Examiner as a part of the Department of Health and Mental Hygiene, the office assists State's Attorneys, the courts, law enforcement agencies, and families.

Mass Transportation

The Washington Suburban Transit Commission was established in 1965 to administer Maryland's participation in the development, construction, and financing of the Washington Metro subway system. The commission received its funds for construction from bonds issued by Montgomery and Prince George's counties. Public transportation in the Washington metropolitan area is supported by funds from Maryland, Virginia, and the District of Columbia. The State and Montgomery and Prince George's counties share responsibility for Maryland's portion.

In 1961, the legislature created the Metropolitan Transit Authority (now the Maryland Transit Administration) to plan a mass transit system for the Baltimore metropolitan area. When the authority was reenacted in 1969, the legislation included a provision that State financial assistance for mass transit should be allocated on a parity basis between the Baltimore and Washington areas.

The construction of the Washington area's Metro system began prior to the initiation of the Baltimore subway system. The financial commitment assumed by Montgomery and Prince George's counties totaled \$259 million. In 1971, plans for Phase I of the Baltimore subway system were completed. The legislature increased the gasoline tax at the 1972 session to finance an expanded highway program and the State's commitment for mass transit. The legislation provided for State financing of the nonfederal portion of the Baltimore subway system (subsequently estimated to be \$159 million) and for the State to assume financial responsibility for the remaining \$161 million of Montgomery and Prince George's counties' contribution towards the Washington area's Metro system. The legislation also provided that the \$10 million in loans previously made available by the State to each system should be considered as grants.

In 1980, the General Assembly agreed to provide State grants to the Washington area's Metro system for (1) construction in the amounts required of the Washington Suburban Transit District in accordance with capital contribution agreements between the Washington Metropolitan Area Transit Authority (WMATA), the Washington Suburban Transit District, and other participating jurisdictions; (2) 75 percent of operating deficiencies, defined as operational costs reduced by available federal funds and the greater of operating revenues or 50 percent of operating costs; and (3) 75 percent of the debt service on bonds issued prior to July 1, 1979.

In 1984, the General Assembly further agreed to provide State subsidies for local bus systems in Montgomery and Prince George's counties. The program pays 37.5 percent of operating costs or 75.0 percent of the operating deficit (whichever is less)

of bus operations implemented to replace services previously operated by the Washington area's Metro system.

The State provided increased funding for WMATA, with legislation passed in 1992, for services in Montgomery and Prince George's counties beginning in fiscal 1993. The State's share of WMATA funding for operating deficits was increased from 75 percent to 100 percent and 100 percent of the operating deficits for eligible bus service. In addition, beginning in fiscal 2000, the State now pays 100 percent of WMATA's capital equipment costs and 100 percent of the Metro rail debt service allocated to Maryland for Metro rail construction and disabled access enhancement 75 percent of the remaining portion of capital costs and debt service.

Property Assessment and Property Tax Credit

Property Assessment

The assessment of property originally was the sole responsibility of the counties and Baltimore City. The Department of Assessments and Taxation was established in 1959 and granted the authority to establish standards and guidelines over local jurisdictions' assessment processes. At this time, the State began to fund 60 percent of the salaries of assessors, with local governments funding the remainder of the costs. In 1973, legislation was enacted whereby the State assumed complete administrative responsibility for the assessment function and began paying all costs on a three-year phased-in basis. State assumption of the property assessment process was designed to achieve uniformity in the property assessment process.

Property Tax Credits

During the early 1960s, numerous local laws were enacted authorizing local governments to grant property tax credits to elderly homeowners. In 1963, statewide authority for such tax credits was enacted, and in 1967 the State enacted a mandatory minimum tax credit program for elderly homeowners. Subsequently, many local governments adopted more generous credit programs, either as a result of local action or local legislation. In 1975, the legislature enacted a statewide property tax credit program for elderly homeowners (over 60 years of age) in lieu of the existing local programs; local programs were redundant and eliminated after the statewide property tax credit program was created. The action was taken to bring about a greater degree of uniformity in the credits and to change the funding of the program from the local property tax to State revenues.

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