

LEGISLATIVE HANDBOOK SERIES

VOLUME
VI


MARYLAND LOCAL GOVERNMENT

Maryland Local Government

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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. Even with this expanded authority, the General Assembly spends a significant amount of time each legislative session considering issues affecting local governments and their finances; therefore, it is important that legislators understand the existing legal and financial structure of local governments.

As the level of government closest to the people, local governments maintain a major role in developing public policy and providing services throughout the State. Public spending at the local level totals \$28.9 billion. As a key provider of public services, local governments are responsible for employing approximately 250,000 individuals, which represents 10% of employment in the State and over 50% of public-sector employment. To assist localities in funding public services, the State provided counties and municipalities with \$7.6 billion in fiscal 2015.

This handbook provides a brief introduction on the structure and powers of local governments in Maryland. A demographic and historical profile for each county is also provided. The handbook covers such topics as the varying forms of local government, local revenue sources, local indebtedness, allocation of State funding, and the State assumption of local programs.

This is the sixth in a series of nine volumes of the 2014 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. The material for this volume was researched and written by Georgeanne Carter, Hannah Dier, Richard Duncan, Scott Gates, Evan Isaacson, Crystal Lemieux, Trevor Owen, Jolshua Rosado, Heather Ruby, Michael Sanelli, Kathy Selle, Kaitlyn Shulman, Lisa Simpson, and Stan Ward, with Trevor Owen and Gail Renborg contributing to the development of data. Scott Kennedy and Laura Lodge coordinated and reviewed the volume, while Scott Gates, Jonathan Martin, Ryane Necessary, and Michael Sanelli assisted with the review of certain chapters. Hiram Burch, Susan Russell, and John Rohrer provided additional review. A special thanks is provided to Mya Dempsey, 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
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Maryland General Assembly

Annapolis, Maryland
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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.

Structure of Local Governments

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. Local government units in the United States take on different forms to include counties, municipalities, townships, and special taxing districts. Nationwide there are over 90,000 units of local governments, with 347 being located in Maryland. Local government units in Maryland include 23 counties, Baltimore City, 156 municipalities, and 167 special taxing districts. Based on the types and number of local governments, Maryland's structure is relatively simple. Maryland ranks forty-fifth among the states in terms of the number of local governments, and, unlike many states, Maryland does not have townships or independent school districts. In comparison, nearby Pennsylvania has almost 5,000 local government units, the third highest in the nation. Exhibit 1.1 compares the number of local government units in Maryland with surrounding states. Exhibit 1.2 shows the number and type of local governments in the nation by state.

The small number of local governments in Maryland has resulted in a more consolidated approach to delivering local government services, particularly in relation to northeastern states. In Maryland, most local services are provided by county governments, with one local school system operating in each county. However, in many states, including neighboring Pennsylvania, local services are provided by sub-county units with multiple local school systems operating in each county. Exhibit 1.3 compares the number of local government units in selected counties in both Maryland and Pennsylvania. Exhibit 1.4 shows the multiple units of local government within York County, Pennsylvania, which include 35 townships and 15 independent school districts.

Exhibit 1.1
Number of Local Government Units in Maryland and
Surrounding States

	Delaware	Maryland	Pennsylvania	Virginia	West Virginia
Counties	3	24	66	95	55
Municipalities	57	156	1,015	229	232
Townships	0	0	1,546	0	0
School Districts	19	0	514	0	55
Special Districts	260	167	1,756	194	317
Total	339	347	4,897	518	659
Rank	46th	45th	3rd	44th	39th

Note: School districts in Maryland and Virginia are dependent on another unit of local government for funding and are not classified as a separate unit of local government. Baltimore City is often classified as a county, since the city functions as a county for most purposes of State law.

Source: Department of Legislative Services

**Exhibit 1.2
Number of Local Governments in the United States by Type**

Rank	State	Total	County	Municipal	Townships	Special	Rank	State	Total	County	Municipal	Townships	Special
1	Illinois	6,963	102	1,298	1,431	4,132	26	Montana	1,265	54	129	-	1,082
2	Texas	5,147	254	1,214	-	3,679	27	Alabama	1,208	67	461	-	680
3	Pennsylvania	4,897	66	1,015	1,546	2,270	28	Idaho	1,168	44	200	-	924
4	California	4,425	57	482	-	3,886	29	Mississippi	983	82	298	-	603
5	Ohio	3,842	88	937	1,308	1,509	30	North Carolina	973	100	553	-	320
6	Kansas	3,826	103	626	1,268	1,829	31	Tennessee	916	92	345	-	479
7	Missouri	3,768	114	954	312	2,388	32	New Mexico	863	33	103	-	727
8	Minnesota	3,672	87	853	1,784	948	33	Massachusetts	857	5	53	298	501
9	New York	3,453	57	614	929	1,853	34	Maine	840	16	22	466	336
10	Wisconsin	3,128	72	596	1,255	1,205	35	Wyoming	805	23	99	-	683
11	Colorado	2,905	62	271	-	2,572	36	Vermont	738	14	43	237	444
12	Michigan	2,875	83	533	1,240	1,019	37	South Carolina	678	46	270	-	362
13	Indiana	2,709	91	569	1,006	1,043	38	Arizona	674	15	91	-	568
14	North Dakota	2,685	53	357	1,313	962	39	West Virginia	659	55	232	-	372
15	Nebraska	2,581	93	530	417	1,541	40	Connecticut	643	-	30	149	464
16	South Dakota	1,983	66	311	907	699	41	Utah	622	29	245	-	348
17	Iowa	1,947	99	947	-	901	42	New Hampshire	541	10	13	221	297
18	Washington	1,900	39	281	-	1,580	43	Louisiana	529	60	304	-	165
19	Oklahoma	1,852	77	590	-	1,185	44	Virginia	518	95	229	-	194
20	Florida	1,650	66	410	-	1,174	45	Maryland	347	24	156	-	167
21	Arkansas	1,556	75	502	-	979	46	Delaware	339	3	57	-	279
22	Oregon	1,542	36	241	-	1,265	47	Nevada	191	16	19	-	156
23	Georgia	1,378	153	535	-	690	48	Alaska	177	14	148	-	15
24	New Jersey	1,344	21	324	242	757	49	Rhode Island	133	-	8	31	94
25	Kentucky	1,338	118	418	-	802	50	Hawaii	21	3	1	-	17
	District of Columbia	2	-	1	-	1		United States	90,056	3,032	19,518	16,360	51,146

Source: U.S. Census Bureau, 2012 Census of Government

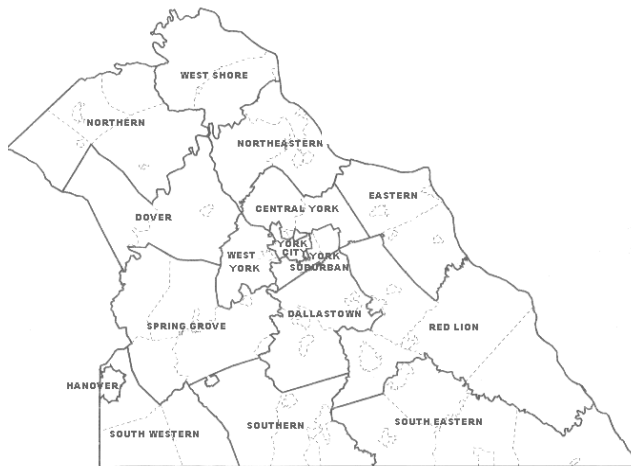
Exhibit 1.3
Comparison of Number of Local Government Units in Selected Jurisdictions
in Maryland and Pennsylvania

County	Maryland		Pennsylvania	
	Baltimore	Frederick	York	Adams
Population	823,015	241,409	438,965	101,546
<i>Sub-county Units</i>				
Municipalities	0	12	37	13
Townships	0	0	35	21
School Districts	0	0	15	6
Special Districts	1	3	42	21
Total	2	16	130	62

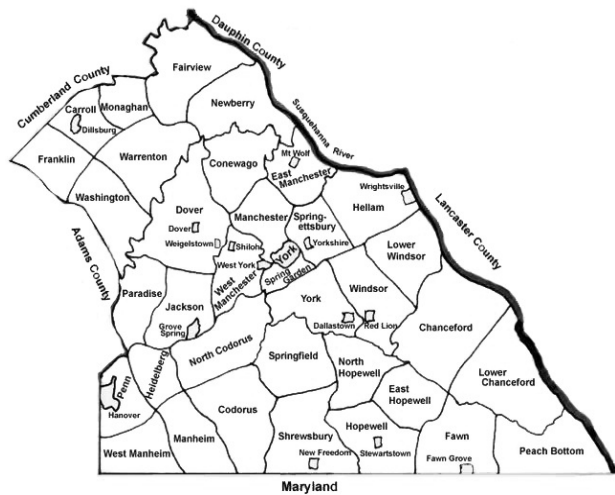
Source: Department of Legislative Services

Exhibit 1.4
Local Government Units in York County, Pennsylvania

York County School Districts



York County Townships



Source: Department of Legislative Services

County Governments

Counties are the principal unit of local government in Maryland, responsible for most basic services such as police, fire, local corrections, sanitation, highways, health, and parks and recreation. In addition, counties are responsible for funding public schools, libraries, local community colleges, and the circuit courts. This arrangement is similar to other states south of the Mason-Dixon Line. Northern states traditionally rely more on townships to provide local services; counties, where they exist, play a secondary role. In addition, unlike most states, the local school districts in Maryland are fiscally dependent on the county government for funding.

Unlike Maryland’s municipalities, which were established exclusively to meet local 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.

Baltimore City

Baltimore City is unique among Maryland’s local governments. Although a municipality, Baltimore City is generally treated as a county for purposes of State law. Originally, Baltimore City was established as a municipality within the confines of Baltimore County, and the city government performed exclusively municipal functions. However, in 1851, Baltimore City was separated from Baltimore County and has since functioned as an independent unit. Today, Baltimore City operates under the charter home rule form of government under Article XI-A of the Maryland Constitution.

Municipalities

Maryland has 156 municipalities with home rule powers under Article XI-E of the Maryland Constitution. The dimensions of the municipalities vary widely, as does the number of residents who live in them. Public works and public safety are the two largest functions for most municipalities in Maryland. Common public services performed by municipalities include street lighting, trash/refuse collection, snow removal, and street maintenance. Police protection, planning/zoning, leaf collection, and water services are provided by at least one-half of municipalities.

Municipalities in Maryland are relatively small, with 59 having fewer than 1,000 residents, while only 9 have more than 25,000 residents (Exhibit 1.5). Frederick,

with 66,893 residents, is the largest municipality in Maryland followed by Gaithersburg and Rockville. Port Tobacco in Charles County, with 13 residents, is the State's smallest municipality.

Exhibit 1.5
Maryland Municipalities by Size

<u>Population Range</u>	<u>Number</u>	<u>Percent of Total</u>
25,000-70,000	9	5.8%
10,000-24,999	12	7.7%
5,000-9,999	19	12.2%
2,500-4,999	26	16.7%
1,000-2,499	31	19.9%
Less than 1,000	59	37.8%
Total	156	100.0%

Source: U.S. Census Bureau

The number of municipalities in each county and the percentage of residents in each county who reside within a municipality vary considerably. Prince George's County, with 27 municipalities, has the greatest number among the 23 counties. Although Prince George's County has the highest number of residents who reside within a municipality (243,228), municipal residents account for only 27.3% of the county population. Talbot County has the highest percentage of residents who reside within a municipality (51.3%). In contrast, in St. Mary's County, 3.2% of residents reside within a municipality. Baltimore and Howard counties have no municipalities located 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 municipality is provided in Exhibit 1.6.

Exhibit 1.6
Residents Residing in Municipalities
July 2013

County	County Population	Municipal Population	Percent of County	Rank
Allegany	73,521	33,097	45.0%	3
Anne Arundel	555,743	38,821	7.0%	20
Baltimore City	622,104	0	0.0%	22
Baltimore	823,015	0	0.0%	22
Calvert	90,484	7,877	8.7%	18
Caroline	32,693	11,946	36.5%	7
Carroll	167,564	48,881	29.2%	11
Cecil	101,913	29,911	29.3%	10
Charles	152,864	12,960	8.5%	19
Dorchester	32,660	16,264	49.8%	2
Frederick	241,409	100,818	41.8%	5
Garrett	29,889	6,880	23.0%	13
Harford	249,215	38,928	15.6%	16
Howard	304,580	0	0.0%	22
Kent	19,944	8,104	40.6%	6
Montgomery	1,016,677	167,564	16.5%	15
Prince George's	890,081	243,228	27.3%	12
Queen Anne's	48,517	6,755	13.9%	17
St. Mary's	109,633	3,515	3.2%	21
Somerset	26,273	5,956	22.7%	14
Talbot	37,931	19,475	51.3%	1
Washington	149,588	53,921	36.0%	8
Wicomico	100,896	44,170	43.8%	4
Worcester	51,620	17,956	34.8%	9
Statewide	5,928,814	917,027	15.5%	

Source: Maryland Department of Planning; Department of Legislative Services

Special Taxing Districts

While the term local government usually refers to counties and municipalities, other local government entities in Maryland fall under the broad category known as special taxing districts. Special taxing districts include entities that resemble municipalities as well as entities that exist for a limited purpose, such as the financing of public watershed associations for the drainage of the agricultural land of a few landowners or the installation and maintenance of street lighting in a neighborhood. While some of these districts were created by the General Assembly, others were created by county or municipal law. However, all exercise some type of tax-setting or fee-charging authority. Despite often sharing some features similar to counties and municipalities, 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, 167 special taxing districts are located in Maryland. To date, there are 11 special taxing districts still in existence that were created by the General Assembly. Exhibit 1.7 lists these districts and the county in which they are located. As to locally created special taxing districts, Anne Arundel County, for example, has more than 50, while other counties have created few, if any.

Exhibit 1.7 State-created Special Taxing Districts by County

County	Special Taxing District
Allegany	Bel Air Special Taxing Area
Allegany	Bowling Green & Roberts Place Special Taxing Area
Allegany	Cresaptown Special Taxing District
Allegany	Ellerslie Special Taxing Area
Allegany	LaVale Sanitary District
Allegany	McCoole Special Taxing District
Allegany	Mount Savage Special Tax Area
Allegany	Potomac Park Citizens Taxing District
Montgomery	Village of Drummond Special Taxing Area
Montgomery	Village of Friendship Heights Special Tax District
Montgomery	Oakmont Special Tax District

Townships and Independent School Districts

Unlike many states, Maryland does not have townships or independent school districts. Townships are geographic and political subdivisions of a county. Townships are located in 20 states, primarily in the Northeast and Midwest. In 11 states, townships may overlap with municipalities. The responsibilities and form of government of townships are specified by the state legislature. The most common responsibilities of townships include highway maintenance, trash collection, and land use planning. In some states, including Pennsylvania, responsibilities include police and fire protection.

Independent school districts are a separate unit of local government that possess taxing authority. Around 90% of public school systems in the United States are classified as independent school districts. Independent school districts exist in Delaware, Pennsylvania, and West Virginia. School districts in Maryland and Virginia are classified as dependent school districts since they rely on another unit of local government for local funding.

Delivery of Public Services

County and municipal governments in Maryland spend approximately \$28.9 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 2013, expenditures at the county government level totaled \$27.6 billion, which accounted for 95.5% of total local government expenditures.

Compared to counties, municipalities in Maryland provide a more limited array of public services. Public works and public safety are the two largest functions of municipal governments, comprising 67.0% of municipal expenditures in fiscal 2013. In addition, municipalities do not fund local school systems and community colleges, which account for over 50% of local government expenditures. In fiscal 2013, expenditures at the municipal government level totaled \$1.3 billion, which accounted for only 4.5% of total local government expenditures. However, in five counties, municipal governments account for over 15% of local government expenditures. When expenditures for the local boards of education, local library boards, and local community colleges are excluded, municipal governments account for 9.2% of local government expenditures. In eight counties, however, municipal governments account for over 25% of local government expenditures. Exhibit 1.8 shows local government expenditures in Maryland by category. Exhibit 1.9 shows local government expenditures for each county. Exhibit 1.10 shows county and municipal government expenditures for each county, exclusive of local board expenditures for education, library, and community colleges.

Exhibit 1.8
Local Government Expenditures by Category
Fiscal 2013

Category	Total Local Expenditures	Percent of Total	County Expenditures	Municipal Expenditures	Percent County	Percent Municipal
General Government	\$1,652,185,618	5.7%	\$1,496,765,416	\$155,420,202	90.6%	9.4%
Public Safety						
Police	1,738,566,097	6.0%	1,516,298,930	222,267,167	87.2%	12.8%
Fire	981,795,441	3.4%	932,832,951	48,962,490	95.0%	5.0%
Corrections	378,538,748	1.3%	378,538,748	-	100.0%	0.0%
Other	350,046,051	1.2%	315,973,475	34,072,576	90.3%	9.7%
Public Works						
Transportation	1,404,737,259	4.9%	1,227,673,209	177,064,050	87.4%	12.6%
Sewer/Solid Waste/Water	2,268,248,731	7.9%	1,969,766,230	298,482,501	86.8%	13.2%
Other	92,004,356	0.3%	8,208,466	83,795,890	8.9%	91.1%
Education						
Public Schools	13,271,569,895	45.9%	13,271,569,895	-	100.0%	0.0%
Community Colleges	1,287,011,027	4.5%	1,287,011,027	-	100.0%	0.0%
Libraries	299,875,509	1.0%	299,875,509	-	100.0%	0.0%
Health/Social Services	992,164,834	3.4%	992,164,834	-	100.0%	0.0%
Parks and Recreation	680,321,684	2.4%	584,135,066	96,186,618	85.9%	14.1%
Community/Economic Development	807,440,724	2.8%	764,116,151	43,324,573	94.6%	5.4%
Miscellaneous	1,250,309,290	4.3%	1,203,486,984	46,822,306	96.3%	3.7%
Debt Service	1,432,835,677	5.0%	1,349,024,937	83,810,740	94.2%	5.8%
Total	\$28,887,650,941	100.0%	\$27,597,441,828	\$1,290,209,113	95.5%	4.5%

Source: *Local Government Finances Fiscal 2013*, Department of Legislative Services

Exhibit 1.9
Local Government Expenditures
Fiscal 2013

County	County (\$ in Millions)	Municipal (\$ in Millions)	Total (\$ in Millions)	Percent County	Percent Municipal
Allegany	\$261.7	\$56.4	\$318.1	82.3%	17.7%
Anne Arundel	2,187.5	91.7	2,279.2	96.0%	4.0%
Baltimore City	3,642.0	0.0	3,642.0	100.0%	0.0%
Baltimore	3,405.4	0.0	3,405.4	100.0%	0.0%
Calvert	400.8	14.2	415.0	96.6%	3.4%
Caroline	115.1	13.9	129.0	89.3%	10.7%
Carroll	643.5	50.6	694.1	92.7%	7.3%
Cecil	355.4	37.8	393.2	90.4%	9.6%
Charles	706.8	13.4	720.2	98.1%	1.9%
Dorchester	117.2	23.0	140.1	83.6%	16.4%
Frederick	979.4	145.3	1,124.7	87.1%	12.9%
Garrett	137.5	7.1	144.7	95.1%	4.9%
Harford	1,027.6	57.8	1,085.4	94.7%	5.3%
Howard	1,721.2	0.0	1,721.2	100.0%	0.0%
Kent	71.5	10.6	82.1	87.1%	12.9%
Montgomery	5,902.2	196.9	6,099.0	96.8%	3.2%
Prince George's	4,042.8	171.5	4,214.3	95.9%	4.1%
Queen Anne's	189.2	7.9	197.2	96.0%	4.0%
St. Mary's	403.7	3.5	407.1	99.1%	0.9%
Somerset	77.7	8.6	86.3	90.1%	9.9%
Talbot	116.4	74.1	190.4	61.1%	38.9%
Washington	514.8	106.3	621.1	82.9%	17.1%
Wicomico	339.3	57.5	396.9	85.5%	14.5%
Worcester	238.8	142.3	381.1	62.7%	37.3%
Statewide	\$27,597.4	\$1,290.2	\$28,887.7	95.5%	4.5%

Source: *Local Government Finances Fiscal 2013*, Department of Legislative Services

Exhibit 1.10
County and Municipal Government Expenditures
Exclusive of Local Board Expenditures
Fiscal 2013

County	County (\$ in Millions)	Municipal (\$ in Millions)	Total (\$ in Millions)	Percent County	Percent Municipal
Allegany	\$92.1	\$56.4	\$148.5	62.0%	38.0%
Anne Arundel	873.9	91.7	965.6	90.5%	9.5%
Baltimore City	2,167.5	0.0	2,167.5	100.0%	0.0%
Baltimore	1,618.5	0.0	1,618.5	100.0%	0.0%
Calvert	150.9	14.2	165.1	91.4%	8.6%
Caroline	35.8	13.9	49.7	72.1%	27.9%
Carroll	222.0	50.6	272.6	81.4%	18.6%
Cecil	115.6	37.8	153.4	75.4%	24.6%
Charles	265.9	13.4	279.3	95.2%	4.8%
Dorchester	44.9	23.0	67.9	66.2%	33.8%
Frederick	362.3	145.3	507.6	71.4%	28.6%
Garrett	59.4	7.1	66.6	89.3%	10.7%
Harford	408.9	57.8	466.7	87.6%	12.4%
Howard	715.3	0.0	715.3	100.0%	0.0%
Kent	35.6	10.6	46.2	77.1%	22.9%
Montgomery	2,919.9	196.9	3,116.8	93.7%	6.3%
Prince George's	1,958.8	171.5	2,130.3	91.9%	8.1%
Queen Anne's	84.4	7.9	92.4	91.4%	8.6%
St. Mary's	155.4	3.5	158.9	97.8%	2.2%
Somerset	35.2	8.6	43.8	80.4%	19.6%
Talbot	47.7	74.1	121.8	39.2%	60.8%
Washington	151.5	106.3	257.8	58.8%	41.2%
Wicomico	111.3	57.5	168.8	65.9%	34.1%
Worcester	116.9	142.3	259.3	45.1%	54.9%
Statewide	\$12,750.0	\$1,290.2	\$14,040.2	90.8%	9.2%

Note: County Government amount excludes expenditures for the local boards of education, local library boards, and local community colleges.

Source: *Local Government Finances Fiscal 2013*, Department of Legislative Services

In addition to county and municipal governments, it is important to note that privately owned common ownership communities such as condominiums, homeowners associations, and cooperative housing corporations are increasingly providing public services in newly constructed and/or newly converted residential neighborhoods in Maryland. These associations are governed by an elected group of residents after initially being controlled by the developer. These entities typically are responsible for providing certain amenities for their community such as parking lots, street lighting, and pools, and have the power to impose assessments on property owners to pay common expenses of the association such as insurance, maintenance of common areas, and trash and leaf collection services. Some common ownership communities consist of fewer than 10 residential units, while others are much larger. For example, the Columbia Association in Howard County, the largest homeowners association in the State, contains at least 13,000 acres of land and has a population of at least 80,000. While there is no confirmed number of common ownership communities in the State, the Secretary of State reports that there were more than 2,500 condominiums registered with that office in 2013.

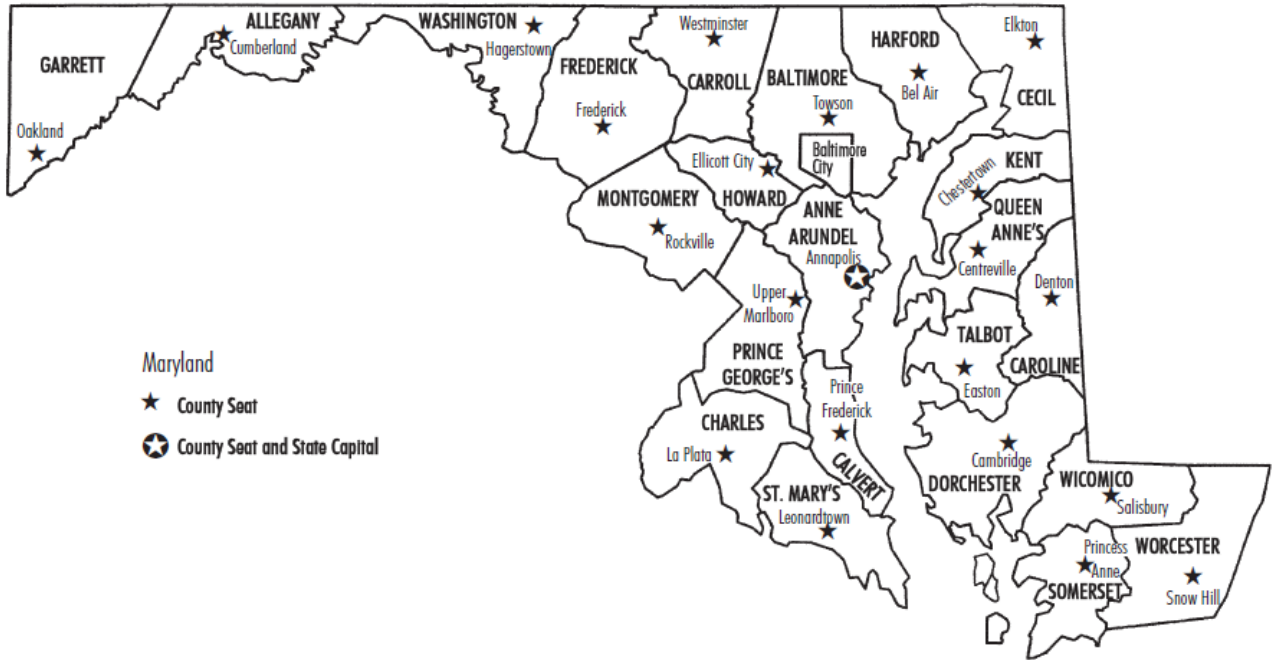
For a detailed discussion on the types of public services provided by county and municipal governments in Maryland see *Volume II – Government Services in Maryland*.

Demographic Indicators

Land Area and Population

Maryland, consisting of 9,707 square miles, ranks as the forty-second largest state in terms of land mass. Maryland's counties range in size from Calvert County with 213 square miles to Frederick County with 660 square miles. Baltimore City comprises 81 square miles. Maryland ranks as the nineteenth largest state in terms of population, with approximately 5.9 million people. Montgomery County has the State's largest population with about 1.0 million residents, and Kent County has the lowest population with less than 20,000 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, while Garrett County has the lowest population density. A map of Maryland showing each county and county seat is depicted in Exhibit 1.11. Exhibit 1.12 shows the population, land area, and population density for all Maryland jurisdictions.

**Exhibit 1.11
State Map of Maryland**



Source: Department of Legislative Services

Exhibit 1.12
Maryland Population and Density

County	Population		Land Area Sq. Miles	Population		Ranking by Population	Ranking by Density
	July 2013	Density		July 2013	Density		
Allegany	73,521	173.3	424.2	1,016,677	1.	Baltimore City	7,689.8
Anne Arundel	555,743	1,339.5	414.9	890,081	2.	Montgomery	2,069.4
Baltimore City	622,104	7,689.8	80.9	823,015	3.	Prince George's	1,844.0
Baltimore	823,015	1,375.6	598.3	622,104	4.	Baltimore	1,375.6
Calvert	90,484	424.4	213.2	555,743	5.	Anne Arundel	1,339.5
Caroline	32,693	102.4	319.4	304,580	6.	Howard	1,214.9
Carroll	167,564	374.4	447.6	249,215	7.	Harford	570.2
Cecil	101,913	294.3	346.3	241,409	8.	Calvert	424.4
Charles	152,864	333.9	457.8	167,564	9.	Carroll	374.4
Dorchester	32,660	60.4	540.8	152,864	10.	Frederick	365.7
Frederick	241,409	365.7	660.2	149,588	11.	Charles	333.9
Garrett	29,889	46.2	647.1	109,633	12.	Washington	326.8
Harford	249,215	570.2	437.1	101,913	13.	St. Mary's	306.9
Howard	304,580	1,214.9	250.7	100,896	14.	Cecil	294.3
Kent	19,944	72.0	277.0	90,484	15.	Wicomico	269.5
Montgomery	1,016,677	2,069.4	491.3	73,521	16.	Allegany	173.3
Prince George's	890,081	1,844.0	482.7	51,620	17.	Talbot	141.3
Queen Anne's	48,517	130.5	371.9	48,517	18.	Queen Anne's	130.5
St. Mary's	109,633	306.9	357.2	37,931	19.	Worcester	110.2
Somerset	26,273	82.2	319.7	32,693	20.	Caroline	102.4
Talbot	37,931	141.3	268.5	32,660	21.	Somerset	82.2
Washington	149,588	326.8	457.8	29,889	22.	Kent	72.0
Wicomico	100,896	269.5	374.4	26,273	23.	Dorchester	60.4
Worcester	51,620	110.2	468.3	19,944	24.	Garrett	46.2
Maryland	5,928,814	610.8	9,707.3				

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

Racial Composition

Maryland is among the most diverse states in the nation (Exhibit 1.13). Racial minorities comprise 46.7% of the State's population compared to 37.4% nationally as shown in Exhibit 1.14. African Americans are the largest racial minority in Maryland, comprising 29.2% of the State's population; whereas Hispanics account for 9.0%, followed by Asians at 6.0%. Montgomery County is one of the most affluent and diverse jurisdictions in Maryland with Hispanics, African Americans, and Asians each comprising between 14% and 19% of the county's population. Exhibit 1.15 shows the racial composition for each jurisdiction in Maryland.

Exhibit 1.13 Leading States for Minorities Percent of State Population

1. Hawaii	77.0%	6. Maryland	46.7%
2. California	61.0%	7. Georgia	45.2%
3. New Mexico	60.6%	8. Florida	43.6%
4. Texas	56.0%	9. Arizona	43.3%
5. Nevada	47.8%	10. New York	42.8%

Source: U.S. Census Bureau

Exhibit 1.14 Maryland Racial Composition in 2013

	Maryland	United States
White	53.3%	62.6%
African American	29.2%	12.4%
Hispanic/Latino	9.0%	17.1%
Asian	6.0%	5.1%
American Indian	0.2%	0.7%
Native Hawaiian	0.0%	0.2%
Multiracial	2.2%	2.0%

Source: U.S. Census Bureau

Exhibit 1.15
Racial Composition in Maryland Counties
July 2013

County	White	African American	Hispanic/Latino	Asian	American Indian	Native Hawaiian	Multiracial
Allegany	87.7%	8.0%	1.6%	0.8%	0.1%	0.0%	1.6%
Anne Arundel	70.9%	15.8%	6.9%	3.6%	0.3%	0.1%	2.5%
Baltimore City	28.3%	62.6%	4.6%	2.5%	0.3%	0.0%	1.7%
Baltimore	60.5%	26.8%	4.8%	5.6%	0.3%	0.0%	2.0%
Calvert	79.3%	13.0%	3.3%	1.6%	0.3%	0.1%	2.5%
Caroline	77.3%	14.1%	6.0%	0.7%	0.3%	0.0%	1.7%
Carroll	90.5%	3.3%	2.9%	1.6%	0.2%	0.0%	1.5%
Cecil	86.5%	6.2%	3.9%	1.2%	0.3%	0.1%	1.9%
Charles	45.7%	42.1%	5.0%	3.2%	0.6%	0.1%	3.3%
Dorchester	65.2%	27.4%	4.2%	1.1%	0.3%	0.0%	1.7%
Frederick	76.5%	8.6%	8.0%	4.3%	0.2%	0.1%	2.3%
Garrett	96.9%	1.0%	0.8%	0.4%	0.1%	0.0%	0.7%
Harford	78.0%	12.7%	4.0%	2.9%	0.2%	0.1%	2.2%
Howard	56.6%	17.7%	6.3%	16.1%	0.2%	0.0%	3.1%
Kent	78.5%	14.7%	4.3%	1.0%	0.1%	0.0%	1.5%
Montgomery	47.0%	17.3%	18.3%	14.7%	0.2%	0.0%	2.5%
Prince George's	14.5%	62.8%	16.2%	4.3%	0.2%	0.0%	2.0%
Queen Anne's	86.9%	6.7%	3.4%	1.1%	0.3%	0.0%	1.6%
St. Mary's	75.7%	14.0%	4.5%	2.7%	0.3%	0.1%	2.8%
Somerset	51.0%	42.1%	3.8%	0.8%	0.4%	0.0%	1.8%
Talbot	78.6%	12.7%	5.8%	1.3%	0.1%	0.0%	1.4%
Washington	81.6%	10.3%	4.0%	1.6%	0.2%	0.1%	2.3%
Wicomico	65.4%	24.2%	5.1%	2.9%	0.2%	0.0%	2.1%
Worcester	80.0%	13.7%	3.3%	1.3%	0.2%	0.0%	1.5%
Maryland	53.3%	29.2%	9.0%	6.0%	0.2%	0.0%	2.2%
United States	62.6%	12.4%	17.1%	5.1%	0.7%	0.2%	2.0%

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

Over the last 13 years of available data (2000-2013), gains in the State's population were comprised entirely from growth in minority groups. During this period, the State's minority population increased by 38.7%, while the white population decreased by 4.2%. The State's Hispanic population increased by 133.6% during this period, with the Asian population increasing by 67.4% and African Americans by 17.2%. Exhibit 1.16 shows population growth by racial composition. Exhibit 1.17 shows the change in minority population by county and Exhibit 1.18 shows the growth in the minority share of a county's population.

Exhibit 1.16
Population Growth by Racial Composition
April 2000 to July 2013

County	White	African American	Hispanic/Latino	Asian	American Indian	Native Hawaiian	Multiracial
Allegany	-7.1%	48.8%	107.5%	62.1%	-2.7%	52.6%	149.0%
Anne Arundel	0.6%	32.4%	197.1%	78.3%	5.4%	59.5%	127.3%
Baltimore City	-13.4%	-7.0%	157.1%	54.4%	-10.4%	20.2%	73.0%
Baltimore	-10.4%	45.7%	184.8%	88.9%	21.2%	46.3%	134.9%
Calvert	15.7%	20.3%	165.6%	120.8%	31.6%	176.2%	172.7%
Caroline	4.9%	4.0%	147.8%	42.9%	8.2%	900.0%	128.7%
Carroll	5.5%	63.2%	229.6%	138.3%	-5.7%	59.4%	189.0%
Cecil	10.6%	89.1%	207.6%	104.2%	2.3%	147.8%	160.1%
Charles	-14.1%	105.6%	181.3%	122.3%	7.6%	97.0%	148.0%
Dorchester	0.7%	3.0%	256.9%	78.9%	54.2%	1100.0%	194.7%
Frederick	7.1%	68.6%	316.4%	212.5%	39.4%	150.9%	157.1%
Garrett	-1.5%	144.9%	93.1%	100.0%	78.3%	-85.7%	106.1%
Harford	3.4%	56.9%	138.8%	113.7%	24.7%	50.4%	120.8%
Howard	-4.7%	51.0%	155.7%	155.1%	9.5%	75.3%	137.2%
Kent	3.8%	-12.1%	55.3%	82.2%	-4.0%	-37.5%	164.0%
Montgomery	-8.8%	32.4%	84.8%	49.2%	-4.1%	24.6%	89.0%
Prince George's	-34.5%	11.2%	152.5%	22.3%	-9.0%	7.5%	52.3%
Queen Anne's	17.4%	-8.8%	270.5%	124.2%	56.2%	30.0%	153.9%
St. Mary's	19.4%	28.3%	187.2%	87.1%	31.5%	21.5%	156.2%
Somerset	-3.1%	9.2%	197.9%	72.1%	15.5%	20.0%	118.5%
Talbot	8.5%	-6.5%	258.4%	75.2%	-1.9%	157.1%	161.4%
Washington	3.7%	51.4%	278.6%	118.7%	22.3%	59.6%	213.6%
Wicomico	8.8%	24.1%	180.3%	92.3%	44.1%	107.7%	178.3%
Worcester	10.1%	-8.7%	186.1%	125.8%	35.2%	50.0%	132.3%
Maryland	-4.2%	17.2%	133.6%	67.4%	5.5%	43.6%	108.1%

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

Exhibit 1.17
Growth in Minority Population by County

County	2000	2013	Change	% Change	Highest to Lowest Population Change	Highest to Lowest Percent Change
Allegany	5,528	9,026	3,498	63.3%	1. Montgomery	1. Frederick
Anne Arundel	98,113	161,846	63,733	65.0%	2. Prince George's	2. Carroll
Baltimore City	447,821	445,928	-1,893	-0.4%	3. Baltimore	3. Cecil
Baltimore	198,666	325,109	126,443	63.6%	4. Howard	4. Charles
Calvert	12,587	18,754	6,167	49.0%	5. Anne Arundel	5. Garrett
Caroline	5,693	7,426	1,733	30.4%	6. Charles	6. Howard
Carroll	7,243	16,001	8,758	120.9%	7. Frederick	7. Washington
Cecil	6,265	13,796	7,531	120.2%	8. Harford	8. Harford
Charles	39,192	82,998	43,806	111.8%	9. Washington	9. Anne Arundel
Dorchester	9,545	11,377	1,832	19.2%	10. Wicomico	10. Baltimore
Frederick	22,935	56,845	33,910	147.9%	11. St. Mary's	11. Allegany
Garrett	444	924	480	108.1%	12. Carroll	12. St. Mary's
Harford	30,663	54,830	24,167	78.8%	13. Cecil	13. Montgomery
Howard	67,042	132,287	65,245	97.3%	14. Calvert	14. Calvert
Kent	4,127	4,297	170	4.1%	15. Allegany	15. Wicomico
Montgomery	349,090	538,641	189,551	54.3%	16. Somerset	16. Queen Anne's
Prince George's	605,102	761,372	156,270	25.8%	17. Dorchester	17. Caroline
Queen Anne's	4,637	6,342	1,705	36.8%	18. Talbot	18. Talbot
St. Mary's	16,739	26,643	9,904	59.2%	19. Caroline	19. Prince George's
Somerset	10,906	12,865	1,959	18.0%	20. Queen Anne's	20. Dorchester
Talbot	6,323	8,118	1,795	28.4%	21. Worcester	21. Somerset
Washington	14,227	27,552	13,325	93.7%	22. Garrett	22. Worcester
Wicomico	23,981	34,879	10,898	45.4%	23. Kent	23. Kent
Worcester	9,056	10,344	1,288	14.2%	24. Baltimore City	24. Baltimore City
Maryland	1,995,925	2,768,200	772,275	38.7%		

Source: U.S. Census Bureau

Exhibit 1.18
Growth in Minority Share of Population by County

County	Percentage Point Change		Highest to Lowest Minority Share of Population		Highest to Lowest Percentage Point Change	
	2000	2013	1	24	1	24
Allegany	7.4%	12.3%	1. Prince George's	85.5%	1. Charles	21.8%
Anne Arundel	20.0%	29.1%	2. Baltimore City	71.7%	2. Howard	16.4%
Baltimore City	68.8%	71.7%	3. Charles	54.3%	3. Baltimore	13.2%
Baltimore	26.3%	39.5%	4. Montgomery	53.0%	4. Montgomery	13.0%
Calvert	16.9%	20.7%	5. Somerset	49.0%	5. Frederick	11.8%
Caroline	19.1%	22.7%	6. Howard	43.4%	6. Prince George's	10.0%
Carroll	4.8%	9.5%	7. Baltimore	39.5%	7. Anne Arundel	9.1%
Cecil	7.3%	13.5%	8. Dorchester	34.8%	8. Harford	8.0%
Charles	32.5%	54.3%	9. Wicomico	34.6%	9. Washington	7.6%
Dorchester	31.1%	34.8%	10. Anne Arundel	29.1%	10. Cecil	6.2%
Frederick	11.7%	23.5%	11. St. Mary's	24.3%	11. Wicomico	6.2%
Garrett	1.5%	3.1%	12. Frederick	23.5%	12. Allegany	4.9%
Harford	14.0%	22.0%	13. Caroline	22.7%	13. Somerset	4.9%
Howard	27.1%	43.4%	14. Harford	22.0%	14. St. Mary's	4.9%
Kent	21.5%	21.5%	15. Kent	21.5%	15. Carroll	4.7%
Montgomery	40.0%	53.0%	16. Talbot	21.4%	16. Calvert	3.8%
Prince George's	75.5%	85.5%	17. Calvert	20.7%	17. Dorchester	3.7%
Queen Anne's	11.4%	13.1%	18. Worcester	20.0%	18. Caroline	3.6%
St. Mary's	19.4%	24.3%	19. Washington	18.4%	19. Baltimore City	2.9%
Somerset	44.1%	49.0%	20. Cecil	13.5%	20. Talbot	2.7%
Talbot	18.7%	21.4%	21. Queen Anne's	13.1%	21. Queen Anne's	1.6%
Washington	10.8%	18.4%	22. Allegany	12.3%	22. Garrett	1.6%
Wicomico	28.3%	34.6%	23. Carroll	9.5%	23. Worcester	0.6%
Worcester	19.5%	20.0%	24. Garrett	3.1%	24. Kent	0.1%
Maryland	37.7%	46.7%				9.0%

Source: U.S. Census Bureau

Population Growth

Managing growth remains a key issue as Maryland's population continues to expand. From 2000 to 2013, the State's population increased by more than 632,000 people. This represents an 11.9% increase over the 13-year period, giving Maryland the twenty-fourth highest growth rate in the nation (including the District of Columbia). For comparison purposes, the U.S. population increased by 12.3% during this same period. Maryland's population growth is attributable to natural increases and international immigration. Maryland continues to experience population losses from net internal migration, movement among the states, with net losses in 9 of the last 10 years (2010 being the only exception). However, this decline was offset by a high level of international immigration. Between 2002 and 2013, Maryland experienced a population increase from international migration that was twice as large as the net decrease resulting from internal migration (Marylanders leaving the State).

Foreign-born individuals continue to settle primarily in Montgomery and Prince George's counties. International immigration has helped to offset the sizable population decreases from internal migration within both jurisdictions. From July 2000 to July 2013, Montgomery County realized a net loss of 71,400 residents due to internal migration, and Prince George's County realized a net loss of 91,800 residents. The only other jurisdictions in Maryland with a net decrease from internal migration are Baltimore City (with the largest net outflow of residents) and Allegany and Garrett counties (with relatively small declines). It should be noted that the pace of internal migration from Maryland has slowed significantly, as outflows from Baltimore City over the past nine years are half of the levels experienced between 2001 and 2004, and outflows from Montgomery and Prince George's counties over the last five years are roughly a fifth of the levels experienced in the previous five years (during the housing bubble). Exhibit 1.19 shows the growth in population for each jurisdiction since 2000, and Exhibit 1.20 shows components of population change since 2010.

Population growth throughout Maryland has not been uniform during this century. The largest growth rates have occurred primarily in Southern Maryland, as well as parts of the Eastern Shore (Cecil, Queen Anne's, and Wicomico), and the north-central region of the State (Frederick and Howard counties). Baltimore City and many economically distressed rural counties realized either marginal growth or continued reductions in population. St. Mary's County led the State in population growth between 2000 and 2013 with a growth rate of 27.1%. Four other counties, Calvert, Charles, Frederick, and Howard, had growth rates above 20%. Baltimore City and Allegany County were the only jurisdictions that lost population since 2000, and Garrett County experienced negligible growth. Exhibit 1.21 depicts the change in Maryland population by region since 1970. The change in population for each county and region since 1970 is shown in Exhibit 1.22.

Exhibit 1.19
Population Growth in Maryland by County

County	2000	2013	Change	% Change	Highest to Lowest Change 2000 to 2013		Highest to Lowest Percent Change 2000 to 2013		
					Rank	County	Rank	County	
Allegany	74,930	73,521	-1,409	-1.9%	1.	Montgomery	1.	St. Mary's	27.1%
Anne Arundel	489,664	555,743	66,079	13.5%	2.	Prince George's	2.	Charles	26.8%
Baltimore City	651,154	622,104	-29,050	-4.5%	3.	Baltimore	3.	Frederick	23.6%
Baltimore	754,292	823,015	68,723	9.1%	4.	Anne Arundel	4.	Howard	22.9%
Calvert	74,563	90,484	15,921	21.4%	5.	Howard	5.	Calvert	21.4%
Caroline	29,772	32,693	2,921	9.8%	6.	Frederick	6.	Queen Anne's	19.6%
Carroll	150,897	167,564	16,667	11.0%	7.	Charles	7.	Wicomico	19.2%
Cecil	85,951	101,913	15,962	18.6%	8.	Harford	8.	Cecil	18.6%
Charles	120,546	152,864	32,318	26.8%	9.	St. Mary's	9.	Montgomery	16.4%
Dorchester	30,675	32,660	1,985	6.5%	10.	Washington	10.	Harford	14.0%
Frederick	195,276	241,409	46,133	23.6%	11.	Carroll	11.	Anne Arundel	13.5%
Garrett	29,846	29,889	43	0.1%	12.	Wicomico	12.	Washington	13.4%
Harford	218,590	249,215	30,625	14.0%	13.	Cecil	13.	Talbot	12.2%
Howard	247,843	304,580	56,737	22.9%	14.	Calvert	14.	Prince George's	11.0%
Kent	19,200	19,944	744	3.9%	15.	Queen Anne's	15.	Carroll	11.0%
Montgomery	873,341	1,016,677	143,336	16.4%	16.	Worcester	16.	Worcester	10.9%
Prince George's	801,515	890,081	88,566	11.0%	17.	Talbot	17.	Caroline	9.8%
Queen Anne's	40,560	48,517	7,957	19.6%	18.	Caroline	18.	Baltimore	9.1%
St. Mary's	86,232	109,633	23,401	27.1%	19.	Dorchester	19.	Dorchester	6.5%
Somerset	24,747	26,273	1,526	6.2%	20.	Somerset	20.	Somerset	6.2%
Talbot	33,812	37,931	4,119	12.2%	21.	Kent	21.	Kent	3.9%
Washington	131,923	149,588	17,665	13.4%	22.	Garrett	22.	Garrett	0.1%
Wicomico	84,644	100,896	16,252	19.2%	23.	Allegany	23.	Allegany	-1.9%
Worcester	46,543	51,620	5,077	10.9%	24.	Baltimore City	24.	Baltimore City	-4.5%
Maryland	5,296,516	5,928,814	632,298	11.9%					

Source: U.S. Census Bureau

Exhibit 1.20
Components of Maryland Population Change
2010-2013

County	Net Natural Increase	International Migration	Internal Migration	Residual	Total
Allegany	-658	68	-913	-63	-1,566
Anne Arundel	9,696	3,981	4,836	-426	18,087
Baltimore City	8,576	5,814	-13,017	-384	989
Baltimore	6,611	10,137	1,161	157	18,066
Calvert	1,069	300	373	5	1,747
Caroline	302	81	-779	23	-373
Carroll	597	300	-621	154	430
Cecil	968	247	-363	-47	805
Charles	3,003	826	2,459	25	6,313
Dorchester	64	81	-128	25	42
Frederick	3,942	2,291	1,762	29	8,024
Garrett	-62	15	-163	2	-208
Harford	2,569	1,105	719	-4	4,389
Howard	6,153	4,885	6,434	23	17,495
Kent	-193	41	-110	9	-253
Montgomery	23,813	27,204	-5,822	-295	44,900
Prince George's	21,642	17,864	-12,549	-296	26,661
Queen Anne's	302	79	375	-37	719
St. Mary's	2,372	701	1,283	126	4,482
Somerset	-24	153	-318	-8	-197
Talbot	-328	135	345	-3	149
Washington	998	594	530	36	2,158
Wicomico	1,239	1,389	-516	51	2,163
Worcester	-444	207	406	0	169
Maryland	92,207	78,498	-14,616	-898	155,191

Note: *Net Natural Increase* reflects the net change in the number of births minus the number of deaths within a jurisdiction. *International Migration* reflects the net movement of individuals to/from a foreign country. *Internal Migration* reflects the net movement of individuals to/from another jurisdiction within the United States.

Source: U.S. Census Bureau

Exhibit 1.21
Share of State Population by Region

<u>Region</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2013</u>
Baltimore	52.7%	51.5%	49.1%	47.4%	46.1%	45.9%
National Capital	32.4%	32.3%	34.2%	35.3%	35.9%	36.2%
Southern Maryland	3.0%	4.0%	4.8%	5.3%	5.9%	6.0%
Western Maryland	5.3%	5.2%	4.7%	4.5%	4.4%	4.3%
Eastern Shore	6.6%	7.0%	7.2%	7.5%	7.8%	7.6%

Source: U.S. Census Bureau

Exhibit 1.22
County Population by Region

	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2013</u>	<u>Average Annual Increase</u>
United States	203,798,722	227,224,719	249,622,814	282,171,957	308,745,538	316,128,839	1.0%
Maryland	3,938,051	4,227,643	4,799,770	5,310,579	5,787,998	5,928,814	1.0%
Baltimore Region	2,076,332	2,177,703	2,356,461	2,516,736	2,667,708	2,722,221	0.6%
Anne Arundel	299,825	372,415	428,877	491,394	539,360	555,743	1.4%
Baltimore	622,418	655,878	694,782	756,037	806,274	823,015	0.7%
Carroll	69,441	96,853	124,086	151,580	167,253	167,564	2.1%
Harford	116,349	146,394	183,717	219,472	245,243	249,215	1.8%
Howard	63,714	119,855	189,367	249,599	288,607	304,580	3.7%
Baltimore City	904,585	786,308	735,632	648,654	620,971	622,104	-0.9%
National Capital Region	1,275,845	1,364,128	1,642,717	1,877,074	2,075,931	2,148,167	1.2%
Frederick	85,309	115,706	151,345	196,522	234,220	241,409	2.4%
Montgomery	524,400	582,053	760,296	877,363	976,006	1,016,677	1.6%
Prince George's	666,136	666,369	731,076	803,189	865,705	890,081	0.7%
Southern Maryland Region	117,004	168,526	230,066	282,887	341,835	352,981	2.6%
Calvert	20,932	34,884	51,954	75,163	88,944	90,484	3.5%
Charles	48,232	73,466	101,751	121,203	147,113	152,864	2.7%
St. Mary's	47,840	60,176	76,361	86,521	105,778	109,633	1.9%
Western Maryland Region	209,509	220,143	225,141	236,729	252,847	252,998	0.4%
Allegany	83,983	80,584	74,954	74,804	74,984	73,521	-0.3%
Garrett	21,607	26,555	28,236	29,824	30,075	29,889	0.8%
Washington	103,919	113,004	121,951	132,101	147,788	149,588	0.9%
Eastern Shore Region	259,361	297,143	345,385	397,153	449,677	452,447	1.3%
Caroline	19,893	23,205	27,125	29,828	33,068	32,693	1.2%
Cecil	53,519	60,590	71,866	86,464	101,175	101,913	1.5%
Dorchester	29,506	30,558	30,282	30,586	30,581	32,660	0.2%
Kent	16,247	16,707	17,869	19,266	20,184	19,944	0.5%
Queen Anne's	18,506	25,682	34,082	40,765	47,878	48,517	2.3%
Somerset	18,928	19,131	23,469	24,718	26,490	26,273	0.8%
Talbot	23,710	25,732	30,661	33,890	37,856	37,931	1.1%
Wicomico	54,534	64,646	74,743	84,864	98,907	100,896	1.4%
Worcester	24,518	30,892	35,288	46,772	51,459	51,620	1.7%

Source: U.S. Census Bureau

Income and Poverty Rates

Maryland continues to be one of the most affluent states in the nation with high income levels and low poverty rates. Maryland had the highest median household income in the nation based on a three-year average for 2010 through 2012. Like Maryland, a majority of the high income states are located in the Northeast and Mid-Atlantic regions. In contrast, states with the lowest income levels continue to be concentrated in the Southeast region of the country. Exhibit 1.23 lists the 10 states with the highest and lowest median household income.

Based on a three-year average for 2010 through 2012, the median household income for Maryland jurisdictions ranged from \$37,733 in Somerset County to \$106,222 in Howard County. Montgomery County had the second highest median income at \$94,767, and Calvert County had the third highest at \$92,517. Four counties (Allegany, Dorchester, Garrett, and Somerset) and Baltimore City had income levels below 70% of the statewide average. Exhibit 1.24 ranks Maryland counties by median household income and Exhibit 1.25 shows the growth in median household income since 1999.

Exhibit 1.23
Median Household Income in the United States
(Three-year Average Median for 2010-2012)

<u>Top 10 States</u>		<u>Bottom 10 States</u>	
1.	Maryland	41.	Oklahoma
	\$71,707		\$44,239
2.	New Jersey	42.	New Mexico
	70,062		43,518
3.	Alaska	43.	South Carolina
	68,818		43,490
4.	Connecticut	44.	Louisiana
	67,544		43,484
5.	Hawaii	45.	Tennessee
	65,087		42,959
6.	Massachusetts	46.	Alabama
	65,029		42,054
7.	New Hampshire	47.	Kentucky
	63,962		41,782
8.	Virginia	48.	West Virginia
	62,811		40,151
9.	California	49.	Arkansas
	59,368		40,104
10.	Delaware	50.	Mississippi
	59,144		37,792
	District of Columbia		National Average
	\$64,610		\$51,771

Source: U.S. Census Bureau; American Community Survey

Exhibit 1.24
Median Household Income for Maryland Counties

County	CY 1989	Rank	CY 1999	Rank	CY 2010-2012	Rank
Allegany	\$21,546	24	\$30,800	22	\$39,166	23
Anne Arundel	45,147	5	61,750	5	86,454	5
Baltimore City	24,045	21	30,100	23	39,788	22
Baltimore	38,837	11	50,650	12	64,306	13
Calvert	47,608	3	65,950	3	92,517	3
Caroline	27,758	18	38,850	19	58,006	16
Carroll	42,378	7	60,000	7	82,581	8
Cecil	36,019	13	50,500	13	64,763	12
Charles	46,415	4	62,200	4	91,801	4
Dorchester	24,922	20	34,100	20	42,885	21
Frederick	41,382	9	60,300	6	82,311	9
Garrett	22,733	23	32,250	21	44,223	20
Harford	41,680	8	57,250	8	78,448	10
Howard	54,348	1	74,150	1	106,222	1
Kent	30,104	15	39,850	17	53,854	18
Montgomery	54,089	2	71,550	2	94,767	2
Prince George's	43,127	6	55,250	10	72,254	11
Queen Anne's	39,190	10	57,050	9	85,334	7
St. Mary's	37,158	12	54,700	11	86,209	6
Somerset	23,379	22	29,900	24	37,733	24
Talbot	31,885	14	43,550	14	59,307	14
Washington	29,632	16	40,600	16	54,239	17
Wicomico	28,512	17	39,050	18	50,523	19
Worcester	27,586	19	40,650	15	58,687	15
Maryland	\$39,386		\$52,850		\$71,707	

Note: The three-year estimates for the 2010-2012 period are used because the American Community Survey, which was implemented in 2004 to replace decennial census long form data collection, provides one-year estimates only for jurisdictions with populations of at least 65,000.

Source: U.S. Census Bureau

Exhibit 1.25
Income Growth – Median Household Income

County	CY 1999	CY 2010-2012	Percent Change	Rank
Allegany	\$30,800	\$39,166	27.2%	21
Anne Arundel	61,750	86,454	40.0%	8
Baltimore City	30,100	39,788	32.2%	17
Baltimore	50,650	64,306	27.0%	22
Calvert	65,950	92,517	40.3%	7
Caroline	38,850	58,006	49.3%	3
Carroll	60,000	82,581	37.6%	9
Cecil	50,500	64,763	28.2%	20
Charles	62,200	91,801	47.6%	4
Dorchester	34,100	42,885	25.8%	24
Frederick	60,300	82,311	36.5%	12
Garrett	32,250	44,223	37.1%	10
Harford	57,250	78,448	37.0%	11
Howard	74,150	106,222	43.3%	6
Kent	39,850	53,854	35.1%	14
Montgomery	71,550	94,767	32.4%	16
Prince George's	55,250	72,254	30.8%	18
Queen Anne's	57,050	85,334	49.6%	2
St. Mary's	54,700	86,209	57.6%	1
Somerset	29,900	37,733	26.2%	23
Talbot	43,550	59,307	36.2%	13
Washington	40,600	54,239	33.6%	15
Wicomico	39,050	50,523	29.4%	19
Worcester	40,650	58,687	44.4%	5
Maryland	\$52,850	\$71,707	35.7%	

Note: The three-year estimates for the 2010-2012 period are used because the American Community Survey, which was implemented in 2004 to replace decennial census long form data collection, provides one-year estimates only for jurisdictions with populations of at least 65,000.

Source: U.S. Census Bureau

Maryland has one of the lowest poverty rates in the nation, with 10.1% of people living in poverty in the State compared to 15.7% nationally. As shown in Exhibit 1.26, only one state had a lower percentage of people in poverty based on a three-year average for 2010 through 2012. However, due to income disparities across the State, many areas continue to be impacted by higher poverty levels. Exhibit 1.27 shows the range in poverty rates for Maryland jurisdictions, based on a three-year average for 2010 through 2012, from 5.0% in Howard County to 25.2% in Baltimore City.

Exhibit 1.26
Percentage of People in Poverty in the United States
(Three-year Average for 2010-2012)

<u>States with Lowest Poverty Rates</u>		<u>States with Highest Poverty Rates</u>	
1. New Hampshire	8.9%	41. West Virginia	18.1%
2. Maryland	10.1%	42. Arizona	18.3%
3. Alaska	10.2%	43. South Carolina	18.5%
4. New Jersey	10.5%	44. Georgia	18.7%
4. Connecticut	10.5%	45. Alabama	19.0%
6. Hawaii	11.5%	46. Kentucky	19.2%
6. Virginia	11.5%	47. Arkansas	19.3%
8. Massachusetts	11.6%	48. Louisiana	19.6%
9. Minnesota	11.7%	49. New Mexico	21.0%
10. Delaware	11.9%	50. Mississippi	23.0%
National Average	15.7%	District of Columbia	18.8%

Source: U.S. Census Bureau; American Community Survey

Exhibit 1.27
Poverty Rates for Maryland Counties

County	CY 2010-2012	Rank
Allegany	16.9%	20
Anne Arundel	5.8%	4
Baltimore City	25.2%	24
Baltimore	9.1%	11
Calvert	5.5%	3
Caroline	14.1%	19
Carroll	5.2%	2
Cecil	11.2%	15
Charles	7.8%	8
Dorchester	18.2%	22
Frederick	5.8%	4
Garrett	12.0%	17
Harford	8.0%	9
Howard	5.0%	1
Kent	11.4%	16
Montgomery	6.9%	7
Prince George's	9.6%	13
Queen Anne's	8.1%	10
St. Mary's	6.8%	6
Somerset	21.2%	23
Talbot	9.5%	12
Washington	12.5%	18
Wicomico	17.7%	21
Worcester	10.0%	14
Maryland	10.1%	

Source: U.S. Census Bureau

Employment

The private sector accounts for over 80% of employment in Maryland with the government sector accounting for 19.4%. The reliance on government employment ranges from 10.2% in Talbot County to 46.7% in Somerset County. The high reliance on government employment in Somerset County is due primarily to the location of correctional facilities in the county as well as a major State institution of higher education. The State government accounts for 4.0% of total employment in Maryland while local governments account for 9.9%. Due to the State's proximity to the nation's capital, Maryland has a high concentration of federal employment, which accounts for 5.6% of total employment in the State. Nearly one-third of federal positions are located in Montgomery County with an additional 18.5% located in Prince George's County. St. Mary's and Harford counties have the highest reliance on federal employment, due to the location of federal military installations. Exhibit 1.28 shows employment in Maryland counties by sector and Exhibit 1.29 shows the county share of total employment by sector.

Exhibit 1.28
Employment in Maryland Counties by Sector
Fourth Quarter 2013

County	Private Sector	Government Sector	Government Sector		
			Federal	State	Local
Allegany	77.0%	23.0%	1.7%	10.6%	10.6%
Anne Arundel	81.3%	18.7%	5.2%	5.1%	8.5%
Baltimore City	79.1%	20.9%	2.9%	10.3%	7.8%
Baltimore	83.8%	16.2%	4.3%	3.3%	8.6%
Calvert	80.3%	19.7%	0.6%	1.3%	17.9%
Caroline	81.8%	18.2%	0.8%	2.1%	15.4%
Carroll	85.1%	14.9%	0.5%	2.3%	12.1%
Cecil	78.7%	21.3%	5.7%	1.8%	13.7%
Charles	76.4%	23.6%	5.3%	1.3%	16.9%
Dorchester	78.7%	21.3%	1.7%	7.1%	12.5%
Frederick	83.1%	16.9%	3.9%	0.8%	12.2%
Garrett	84.9%	15.1%	0.5%	2.1%	12.5%
Harford	75.1%	24.9%	13.3%	0.6%	10.9%
Howard	89.6%	10.4%	0.4%	0.9%	9.1%
Kent	86.0%	14.0%	0.8%	3.1%	10.1%
Montgomery	80.1%	19.9%	10.3%	0.3%	9.3%
Prince George's	70.7%	29.3%	8.7%	6.9%	13.6%
Queen Anne's	81.2%	18.8%	0.6%	1.6%	16.7%
St. Mary's	67.7%	32.3%	20.9%	2.2%	9.1%
Somerset	53.3%	46.7%	0.7%	31.6%	14.4%
Talbot	89.8%	10.2%	1.2%	1.3%	7.8%
Washington	86.2%	13.8%	0.9%	3.8%	9.1%
Wicomico	81.8%	18.2%	0.7%	6.2%	11.3%
Worcester	83.8%	16.2%	0.8%	0.7%	14.7%
Unallocated	98.8%	1.2%	0.3%	0.9%	0.0%
Maryland	80.6%	19.4%	5.6%	4.0%	9.9%

Source: Bureau of Labor Statistics, U.S. Department of Labor; Department of Labor, Licensing, and Regulation

Exhibit 1.29
County Share of Total Employment by Sector
Fourth Quarter 2013

County	State Population	Private Sector	Government Sector	Government Sector		
				Federal	State	Local
Allegany	1.2%	1.1%	1.4%	0.4%	3.1%	1.2%
Anne Arundel	9.4%	10.1%	9.6%	9.1%	12.8%	8.6%
Baltimore City	10.5%	12.8%	14.1%	6.7%	33.9%	10.3%
Baltimore	13.9%	14.9%	12.0%	10.9%	12.1%	12.6%
Calvert	1.5%	0.8%	0.9%	0.1%	0.3%	1.5%
Caroline	0.6%	0.4%	0.3%	0.1%	0.2%	0.6%
Carroll	2.8%	2.3%	1.7%	0.2%	1.3%	2.7%
Cecil	1.7%	1.2%	1.3%	1.2%	0.5%	1.7%
Charles	2.6%	1.5%	2.0%	1.5%	0.6%	2.8%
Dorchester	0.6%	0.4%	0.5%	0.1%	0.8%	0.6%
Frederick	4.1%	3.9%	3.2%	2.6%	0.8%	4.6%
Garrett	0.5%	0.5%	0.4%	0.0%	0.2%	0.6%
Harford	4.2%	3.2%	4.4%	8.2%	0.6%	3.8%
Howard	5.1%	7.0%	3.4%	0.4%	1.4%	5.8%
Kent	0.3%	0.3%	0.2%	0.0%	0.2%	0.3%
Montgomery	17.1%	17.7%	18.1%	32.5%	1.2%	16.8%
Prince George's	15.0%	10.4%	17.9%	18.5%	20.6%	16.4%
Queen Anne's	0.8%	0.5%	0.5%	0.1%	0.2%	0.9%
St. Mary's	1.8%	1.4%	2.8%	6.2%	0.9%	1.5%
Somerset	0.4%	0.2%	0.6%	0.0%	2.1%	0.4%
Talbot	0.6%	0.8%	0.4%	0.2%	0.2%	0.6%
Washington	2.5%	2.8%	1.9%	0.4%	2.6%	2.4%
Wicomico	1.7%	1.8%	1.6%	0.2%	2.7%	2.0%
Worcester	0.9%	0.9%	0.7%	0.1%	0.1%	1.3%
Unallocated	0.0%	3.0%	0.2%	0.1%	0.5%	0.0%
Maryland	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Bureau of Labor Statistics, U.S. Department of Labor; Department of Labor, Licensing, and Regulation; Maryland Department of Planning

Chapter 2. County and Municipal Profiles

Maryland is a diverse State encompassing the mountainous regions of Western Maryland; waterfront communities along the Chesapeake Bay; historic towns, rolling hills and horse farms in the north-central region of the State; and the urban center along the Baltimore-Washington corridor. This diversity is also reflected in the State's people and families. Maryland is today a dynamic and culturally enriched State with a population from approximately 160 different countries speaking over 100 languages. The following section provides a brief history and profile of each county, and includes a link to the county's official website.

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."

Allegany County has seven municipalities, including the industrial city of Cumberland, the county's largest municipality and county seat. Cumberland was incorporated in 1815 and was named to honor King George II's son, William Augustus, Duke of Cumberland. Cumberland is home to Fort Cumberland, where George Washington assumed his first military command during the French and Indian War. The city's role as a transportation hub spurred its development. The Chesapeake and Ohio Canal ran more than 180 miles from Washington, DC to Cumberland. The National Road, the first road built with federal funds, began in Cumberland and ran west more than 600 miles to Vandalia, Illinois. The Queen City Transportation Museum relates the history of the canal and the road and displays historic automobiles, carriages, and wagons.

The City of Frostburg grew up around an inn on the National Road. Today, it is home to Frostburg State University, part of the University System of Maryland. The university plays a central role in the cultural and economic life of Western Maryland. The Appalachian Laboratory of the University of Maryland's Center for Environmental Science is also in Frostburg. The laboratory conducts ecological research and strives to protect the natural resources of the region, including the Chesapeake Bay watershed.

Visitors come to Allegany County to enjoy the excellent outdoor recreation opportunities, including fishing, boating, hiking, biking, and golf, and to take in the breathtaking mountain views. There are several State parks and forests in Allegany County, including Dan's Mountain State Park, Green Ridge State Forest, and Rocky Gap

State Park. The Rocky Gap Casino Resort, which opened in 2013, features a hotel with over 200 rooms, a casino with over 550 slot machines and table games, and the State's only Jack Nicklaus Signature Golf Course. Other popular attractions include the Chesapeake and Ohio Canal National Historical Park and Canal Place. In addition, the Western Maryland Scenic Railroad offers rides between historic Cumberland and Frostburg, and the Great Allegheny Passage hiking and biking trail provides a continuous off-road route from Cumberland to Pittsburgh.

Historically, Allegany County's economy was based on manufacturing, and this sector remains important today. Other important industries include information technology, biotechnology, and tourism. The Allegany Business Center is a technology business park in Frostburg resulting from a partnership between Frostburg State University, State and local government, and the private sector.

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

Anne Arundel County

Anne Arundel County, created by the General Assembly in 1650, is named for Lady Anne Arundell, the wife of Cecilius Calvert, Second Lord Baltimore and founder of the Maryland colony. The county has two municipalities, Annapolis and Highland Beach.

Annapolis, which serves as the county seat as well as the State capital, is one of the oldest and most historic cities in the country. Chartered in 1708, Annapolis is known for its rich architectural heritage. The city has the highest concentration of eighteenth century Georgian-style buildings in the nation. Annapolis was briefly the capital of the United States in 1783 and 1784, when Congress met in the State House. The treaty ending the Revolutionary War was ratified there in 1784. The State House remains the oldest state capitol building in continuous legislative use in the nation. All four Maryland signers of the Declaration of Independence had homes in Annapolis, all of which are still standing. The United States Naval Academy, founded in 1845, trains the nation's naval officers. The historic campus includes Bancroft Hall, one of the largest student dormitories in the world, and the crypt of Revolutionary War naval hero John Paul Jones. Once an important seaport, Annapolis is known today as "America's Sailing Capital."

Anne Arundel County has more than 500 miles of scenic Chesapeake Bay coastline. There are many waterfront communities. Sandy Point State Park near the Chesapeake Bay Bridge offers public access to the water, as do county parks such as Downs Park in Pasadena and Quiet Waters Park near Annapolis.

Located in the Baltimore/Washington corridor, the county has a diverse, advanced economy with Baltimore-Washington International Thurgood Marshall Airport being a major economic force. The county is also an important center for the defense industry, with the National Security Agency and Fort George G. Meade being located in the county. Fort Meade has more than 56,000 employees, making it the largest employer in Maryland. Since the federal Base Realignment and Closure in 2005, 9 Department of Defense commands have moved to Fort Meade, 26 new defense contractors have established a presence, and 51 defense contractors have expanded their operations. The county's economy is also grounded in telecommunications, distribution operations, retail, and technical support services. Arundel Mills Mall in Hanover is one of the area's largest and busiest malls with over 200 stores. Adjacent to Arundel Mills Mall is the Maryland Live! Casino, which opened in 2012. The casino, with over 4,200 slot machines and table games, is the largest in the State and has one of the largest poker rooms in the country. The casino also has a live music venue and many dining options.

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 website 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 in 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."

Baltimore City is a dynamic urban center with a rich history. Francis Scott Key was inspired to write our national anthem, "The Star-Spangled Banner," while watching American forces at Fort McHenry withstand a British bombardment during the War of 1812. The nation's first railroad, the Baltimore and Ohio, began in the city. The oldest Catholic cathedral in the United States, the Basilica of the Assumption of the Blessed Virgin Mary, is located there. The city is also where the first telegraph message was received in 1844. The city grew based on a strong industrial economy and maritime trade.

Baltimore's economy today is fueled by a variety of institutions and industries. The Port of Baltimore remains a major employer. The port ranks among the leaders throughout the country in roll-on/roll-off cargo, imported forest products, automobile exports, overall tonnage handled, and total cargo value. The port's strategic location as the closest port to the large cities of the Midwest helps ensure its success. Finance and banking are also industries important to the city's economy.

Other important sectors of the city's economy include health care and higher education. Johns Hopkins Medicine, which includes the Johns Hopkins University's medical school and the Johns Hopkins Hospital, is internationally renowned and is a leading recipient of federal medical research dollars in the nation. In addition to Johns Hopkins University, the city is home to Morgan State University; the University of Maryland, Baltimore; the University of Maryland Medical System; the University of Maryland Biotechnology Institute; and several other institutions that make it an important center for research and innovation.

Baltimore's revitalized Inner Harbor is the center of a thriving tourism industry. Premier attractions include Oriole Park at Camden Yards, M&T Bank Stadium, the National Aquarium in Baltimore, the Maryland Science Center, the Walters Art Museum, and the Reginald F. Lewis Museum of Maryland African American History & Culture. Visitors are also attracted to the city's distinctive neighborhoods, including Fells Point, Little Italy, and Mount Vernon. The Horseshoe Baltimore opened in 2014 and is the State's second largest casino. The gaming venue has over 2,500 slot machines and over 122 table games, including a high-limit gaming area.

Baltimore City is governed by a mayor and a 15-member council. Baltimore City's official website is found at <http://www.baltimorecity.gov>.

Baltimore County

Known as "Maryland's horse country," Baltimore County was established in 1659. Following the separation of Baltimore City from the county, Towson became the county seat in 1854. The county has no municipalities.

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 has many waterfront communities and is a popular destination for boaters and fishermen. Opportunities for outdoor recreation abound. Popular parks include Gunpowder Falls State Park, which encompasses much of the valley of the Gunpowder River; Soldiers Delight Natural Environment Area, which preserves rare serpentine grasslands; North Point State Park on the Chesapeake Bay; and the watersheds of the Loch Raven, Prettyboy, and Liberty reservoirs.

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 area's reputation as "horse country" is largely due to the wealthy Ridgely family, who began breeding and racing thoroughbreds in the late 1700s. Governor Charles Carnan Ridgely owned some of the finest thoroughbred horses in the country in the early nineteenth century. The Ridgely family home, Hampton, is now a

national historic site. Located near Towson, Hampton was the largest house in the nation when it was completed in 1790.

The county has a strong, highly diversified economy that ranges from industrial facilities to federal government agencies and high technology businesses. The Sparrows Point industrial area in Dundalk is served by rail, interstate highway, and a deepwater port. The federal government also has a major presence in the county. The headquarters of the Social Security Administration and the Center for Medicare and Medicaid Services are both located in Woodlawn. The bwtech@UMBC Research and Technology Park fosters technology and bioscience companies and encourages collaboration between those companies and the University of Maryland Baltimore County. Hunt Valley has a diverse business community with multinational companies including McCormick, BD Diagnostics Systems, and Proctor and Gamble. Other major business centers include White Marsh and Owings Mills. A major new transit-oriented development is under construction in the area around the Metro subway station in Owings Mills Town Center that when complete will include a town center, public library, community college, retail space, offices, and homes.

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

Calvert County

Calvert County, geographically 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 municipality, Prince Frederick serves as the county seat.

Best known for its attractive location on the Chesapeake Bay and the Patuxent River, the two municipalities in the county are North Beach and Chesapeake Beach. Chesapeake Beach was a local resort town in the early twentieth century, served by a railway from Washington, DC. The Chesapeake Beach Railway Museum documents the history of the town. The community of North Beach boasts an expansive boardwalk along the bay.

Traditionally, agriculture and seafood have been mainstays of Calvert County's economy. Today, major industries include defense contracting, information technology, tourism, and administrative services. Calvert Cliffs Nuclear Power Plant, operated by Constellation Energy Nuclear Group, is a major employer in the county. The plant, which began operating in the 1970s, is the only nuclear power plant in Maryland.

The county provides residents and visitors with excellent recreational opportunities such as boating, sailing, fishing, crabbing, and swimming. Cliffs line the shore of the Chesapeake Bay for 30 miles in Calvert County. Calvert Cliffs State Park provides public access to the bayside cliffs, where many fossils have been found. The Battle Creek Cypress Swamp Sanctuary near Prince Frederick contains one of the nation's northernmost stands of bald cypress trees.

Calvert County is also known for its historic and cultural resources. The Calvert Marine Museum and Drum Point Lighthouse in Solomons display vessels, live animals, and artifacts that depict the maritime history and environment of the Chesapeake Bay and Southern Maryland. The Cove Point Lighthouse in Lusby was constructed on the Chesapeake Bay in 1828 and is still operating. The Jefferson Patterson Park and Museum contains active archaeological sites and artifacts documenting 9,000 years of human habitation in the area.

The county has a commission government and is governed by five county commissioners. Calvert County's official website 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 municipalities, serves as the county seat. Situated on a hill overlooking the Choptank River, the town has an historic courthouse green in the center of the community. The economy of the Town of Federalsburg was historically based on shipbuilding and sawmilling due to the extensive forests surrounding the town. Federalsburg sawmills provided lumber to rebuild the Capitol and the White House after they were burned during the War of 1812. Today Federalsburg is a manufacturing center.

Much of Caroline County is rural, and agriculture is the primary industry. The county is a leader in the State in the production of vegetables. Poultry farming is also an important occupation. The major business centers are Denton and Federalsburg, with four industrial parks located in or near these towns.

Boasting over 8,000 acres of parkland and wildlife preserves, 100 acres of freshwater lakes, and many miles of rivers and streams, the county is a destination for outdoor recreation. Tuckahoe and Martinak State parks offer boating, camping, hiking,

fishing, and hunting. Adkins Arboretum has miles of trails through a variety of habitats featuring native trees and plants.

Of historical interest is the Museum of Rural Life in Denton, which includes a log cabin from the 1800s and several other historic residences. The Choptank River Heritage Center in West Denton includes a steamboat warehouse, one of the few remaining riverfront warehouses in the Chesapeake Bay region. The Underground Railroad also passed through the county. A driving tour features historic homes and other sites that illuminate the experiences of runaway slaves and those who assisted their flight to freedom, including Harriet Tubman.

Since 1984, Caroline County has operated as a code home rule county, governed by three county commissioners. Caroline County's official website 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 municipalities in the county, serves as the county seat.

Carroll County offers a variety of indoor and outdoor attractions. Piney Run Park in Sykesville includes a 300-acre lake and excellent fishing and hiking opportunities. The McKeldin Area of Patapsco Valley State Park is also popular. There are noteworthy cultural institutions in the county. The Carroll Arts Center in Westminster is a renovated 1937 art deco theater that has been transformed into a multipurpose community arts center. The center includes two large art galleries featuring shows by regional visual artists in a variety of media and styles. McDaniel College in Westminster, founded in 1867, was the first coeducational college south of the Mason-Dixon Line.

Several historic sites provide opportunities to explore the county's agricultural heritage. The Carroll County Farm Museum portrays life on a nineteenth century farm through restored buildings, including a farmhouse, barn, and one-room schoolhouse; exhibits of farm tools and machinery; and craft demonstrations. The Union Mills Homestead and House Museum is the site of a family home and business that dates from 1797. In addition to the historic farmhouse, Union Mills Grist Mill is on the site. The mill is powered by a large waterwheel and still operates.

Carroll County has a dynamic and diverse economy. 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 significant number of firms in the manufacturing, transportation, health, and business service sectors. Industrial properties are generally located near incorporated towns. The Westminster Technology Park welcomed its first tenant in 2008. Random House and Jos. A. Bank Clothiers are major employers in the county.

The county has a commission government and is governed by five county commissioners. Carroll County's official website 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 municipalities, is the county's largest municipality and the county seat. Elkton was originally called Head of Elk, due to its location at the headwaters of the Elk River, a name given to it by Captain John Smith during his exploration of the Chesapeake in the 1600s. The town of Chesapeake City, one of the smaller communities in the county, grew up beside the Chesapeake and Delaware Canal. The canal, completed in 1829, connects the upper Chesapeake Bay with Delaware Bay, allowing ships to bypass the nearly 300-mile trip around the southern end of the Delmarva Peninsula to reach the Port of Baltimore. The C&D Canal Museum in Chesapeake City is housed in an original canal pumphouse and includes a full-size replica of a wooden lighthouse that once operated on the canal.

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 to Cecil County. Popular local pastimes include hunting, fishing, and boating. Elk Neck State Park is located on a peninsula in the Chesapeake Bay. This popular park offers swimming, camping, boating, hiking, and the Turkey Point Lighthouse, which affords a fine view of the bay. Fair Hill Natural Resources Management Area in the county consists of more than 5,600 acres of pristine fields and woodlands with miles of trails. Formerly owned by William duPont, Jr., Fair Hill is a major equestrian center with a popular steeplechase race held annually in May to benefit Union Hospital.

There are several industrial parks in the county, including the Cecil Technology Campus. The county is primed for additional growth due to its desirable location on the Interstate 95 corridor between Baltimore and Philadelphia. In 2010, the Hollywood Casino opened in Perryville. It is the first casino to have opened in Maryland and offers more than 1,150 slot machines and table games.

Since 2012, Cecil County has been a charter county, governed by a five-member county council and an elected county executive. Cecil County's official website 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 the county's three municipalities, serves as the county seat. The tiny Town of Port Tobacco had only 13 residents according to the 2010 census, but has an interesting history. The town was founded in 1634, the same year English colonists first arrived in Maryland. Once the second largest river port in Maryland, Port Tobacco declined when the river silted up and the railroad bypassed the town. The county seat was eventually moved to La Plata. Today, visitors to Port Tobacco can see the village green, a restored courthouse that includes a museum, and several historic homes.

With four State parks, three designated natural areas, and 150 miles of shoreline along the tidal Potomac River and its tributaries, Charles County is attractive for residents and tourists who enjoy outdoor activities. Camping, hiking, fishing, and boating are popular at Smallwood State Park, located on a tributary of the Potomac. The park also includes the restored home of General William Smallwood, the highest ranking Marylander to serve in the Revolutionary War and the State's fourth governor. Chapel Point and Purse State parks are undeveloped but provide waterfront access for hunting, fishing, and boating, while popular pastimes at Chapman State Park include fishing, hiking, birding, and hunting.

Sites of special historic interest in the county include the home of Dr. Samuel A. Mudd, who treated John Wilkes Booth's broken leg the day after Booth assassinated Abraham Lincoln. The Thomas Stone National Historic Site preserves the eighteenth century home of one of Maryland's four signers of the Declaration of Independence.

Agriculture traditionally has been the mainstay of Charles County's economy. However, in recent years, the county has experienced significant business and residential growth due to its proximity to the Washington, DC metropolitan area. Much of this growth has been concentrated in the northern part of the county in and around Waldorf and Indian Head. The Indian Head Explosive Ordinance Disposal Technology Division of the Naval Surface Warfare Center performs advanced research and development on explosives, propellants, and pyrotechnics. The center's workforce includes one of the highest concentrations of scientists, engineers, and chemists of any Navy facility. The Indian Head

Science and Technology Park is a public-private partnership that will house defense and government contractors.

Since 2002, the county has operated as a code home rule form of government. It is governed by five county commissioners. Charles County's official website is found at <http://www.charlescountymd.gov>.

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, founded in 1684 along the banks of the Choptank River, is the largest of nine municipalities and serves as the county seat. It is one of the oldest towns in Maryland. The Cambridge Historic District includes buildings dating from the 1700s. Many historic structures have been restored as part of the revitalization of downtown Cambridge. Maritime trade, agriculture, shipbuilding, and seafood have all played important parts in the economy of Cambridge. Today, tourists are drawn to Cambridge for its history, scenery, and restaurants.

Noteworthy historic sites in Dorchester County are not confined to Cambridge. The Town of Church Creek includes Old Trinity Church, which was built in the seventeenth century and is still in use. Harriet Tubman, the famous "conductor" on the Underground Railroad, was born into slavery at a plantation near Bucktown. Formative events in her early life took place in the county. She eventually escaped from slavery and then returned repeatedly to Dorchester County to lead other enslaved people to freedom. Today, visitors to Dorchester County may tour several sites associated with Tubman. The county is also the site of the Harriet Tubman Underground Railroad National Monument that encompasses 25,000 acres of federal, State, and private land, including land designated to be the Harriett Tubman Underground Railroad State Park, which is projected to open in January 2016.

Dorchester County is home to Blackwater National Wildlife Refuge, a thriving nature sanctuary sometimes referred to as the "Everglades of the North." The refuge consists of over 27,000 acres of wetlands, fields, and forests located 12 miles south of Cambridge. One-third of Maryland's tidal wetlands are within the refuge. Blackwater is known for its abundant bird life. The refuge is a critical stopover for birds migrating along the Atlantic Flyway, which stretches from Canada to Florida. Blackwater is home to over 250 species of birds, including the largest breeding population of American bald eagles north of Florida. The largest remaining natural population of endangered Delmarva fox

squirrels is also found in the refuge. Visitors to the refuge may drive, cycle, walk, canoe, or kayak along a network of roads, trails, and waterways to experience nature and view wildlife. The refuge also offers hunting, crabbing, and environmental education programs.

Agriculture, manufacturing, services, and tourism are the mainstays of Dorchester County's economy. There are three industrial parks located within State enterprise zones in Hurlock and Cambridge.

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

Frederick County

Frederick County, geographically the largest county in Maryland, 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. Frederick County is located in both the Appalachian Mountain and Piedmont Plateau regions.

The City of Frederick, the largest of 12 municipalities, serves as the county seat. During the Civil War, Frederick resident Barbara Fritchie famously defied Confederate soldiers by refusing to lower the Union flag she was flying. This incident was later memorialized in a poem by John Greenleaf Whittier. Frederick boasts several historic sites, including the Rose Hill Manor Park that features the home of Thomas Johnson, Maryland's first elected governor, and the Schifferstadt Architectural Museum, a fortified house in the German Colonial style dating from the time of the French and Indian War. Another historic town is Emmitsburg, in northern Frederick County. Emmitsburg is home to Mount Saint Mary's University, the nation's second oldest Catholic university, and the National Shrine of Saint Elizabeth Ann Seton, the first person born in the United States to be made a saint.

Frederick County was a center of conflict during the Civil War. Two major battles of the war were fought in Frederick County. The Battle of South Mountain was a prelude to the battle of Antietam. In the Battle of Monocacy, Union forces delayed the advance of a Confederate army marching on Washington, DC until reinforcements could arrive, thereby saving the nation's capital. State and national parks preserve the sites of these battles. Due to its proximity to the fighting, the City of Frederick became a major hospital center and today is the site of the National Museum of Civil War Medicine.

The mountains in the western part of the county contain several popular parks. Catoctin Mountain Park, part of the national park system, is the site of the Camp David presidential retreat. Nearby Cunningham Falls State Park features a cascading waterfall, a

lake, and the site of an historic iron furnace. Other State parks in the county include Gambrill, known for its mountain views, and Gathland, site of the War Correspondents Memorial, erected by a journalist who covered the Civil War. The Appalachian Trail runs along the crest of South Mountain, which forms the county's western border.

Traditionally, agriculture has been the mainstay of the local economy. The county has more farms than any other county in Maryland, and the county ranks first in the State for sales of hay, cattle, and dairy products. 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. Growing industries include biotechnology, information technology, and manufacturing. Fort Detrick, the county's largest employer, is an important center for biomedical research and development and has helped propel the growth of the county's high-tech economy.

Since 2014, Frederick County has been a charter county governed by an elected executive and a seven-member council. Frederick County's official website is found at <http://www.frederickcountymd.gov>.

Garrett County

Garrett County, Maryland's youngest 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 is known for its mountainous terrain. Oakland, one of eight municipalities, serves as the county seat.

Garrett County is sometimes called "Maryland's mountaintop playground" due to its many parks and recreational activities. Deep Creek Lake, covering nearly 3,900 acres, is Maryland's largest freshwater lake and offers many opportunities for boating, swimming, fishing, water skiing, and camping. Other popular activities in the county include skiing, whitewater rafting, hiking, rock climbing, mountain biking, and snowmobiling. Major attractions include Wisp Resort, a ski and golf resort, and the Adventure Sports Center International, a mountaintop whitewater rafting and rock climbing facility.

There are many public lands that preserve the county's beautiful mountain scenery. Swallow Falls State Park contains old growth forest, the scenic Youghiogheny River, and Muddy Creek Falls, a 53-foot waterfall that is the highest in Maryland. Other State parks in the county feature mountain lakes, rivers, and creeks. There are also three State forests in the county that comprise approximately 72,000 acres. Near Oakland is Cranesville Swamp, a rare wetland owned by the Nature Conservancy that contains vegetation normally found in Arctic regions. The high elevation and cool climate have preserved the swamp since the last ice age. Visitors may walk through the swamp on a boardwalk.

Of historic interest is Casselman River Bridge State Park, which preserves a bridge that was constructed in 1813 for the National Road, a major east-west route in the early nineteenth century. At the time of its construction, the bridge was the longest single span stone arch bridge in the world. The Spruce Forest Artisan Village adjacent to the bridge includes historic buildings moved to the site from other locations in Western Maryland and restored. Among the 12 historic buildings are log cabins, an inn, a church, and a mill. Artists give historic and contemporary arts and crafts demonstrations in the village.

In addition to tourism, agriculture and coal mining are important parts of the local economy. Garrett County also produces a large amount of natural energy, including natural gas, wind, and water. There are several business and industrial parks located throughout the county. The Garrett Information Enterprise Center, located on the Garrett College campus, offers incubator space to new and expanding technology-based businesses.

The county has a commission form of government and is governed by three county commissioners. Garrett County's official website is found at <http://www.garrettcounty.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 municipalities, serves as the county seat. The town provides retail and entertainment for the many housing developments in the area. Bel Air is home to several historic buildings, including the Hays-Heighe House and the Liriodendron Mansion.

In addition to agriculture, the Susquehanna River and Tidewater Canal are important economic resources in Harford County, and Havre de Grace, positioned where the Susquehanna River meets the Chesapeake Bay, played an important role in maximizing these resources. Timber, wheat, coal, and other products were transported from Pennsylvania to Havre de Grace via the canal. Further, the location next to the water provided excellent waterfowl hunting.

Tourism also plays a part in the economy due to the county's geographic location. Both Susquehanna State Park and Rocks State Park offer hiking, camping, and boating. Other destinations include the Susquehanna Museum, the Havre de Grace Duck Decoy Museum, and the Concord Point Lighthouse. During the summer months, visitors and residents enjoy outdoor activities and baseball at the Ripkin Stadium in Aberdeen.

Harford County hosts a large military presence. Aberdeen was transformed from a transshipment center to one of the State's most important military towns when Aberdeen Proving Grounds was established in 1917. In 2005, Base Realignment and Closure decisions chose Maryland to accommodate a significant restructuring of United States military installations. The restructuring has led many employees of the Department of Defense, defense contractors, and businesses seeking military-related opportunities to relocate to the county.

Since 1972, Harford County has been a charter county governed by an elected executive and a seven-member council. Harford County's official website 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 municipalities, 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. Situated between Washington, DC and Baltimore City, Howard County has a diverse economic base, including biotechnology companies, research and development firms, telecommunication companies, and wholesale distributors.

Howard County is home to one of the country's first planned communities, Columbia. In 1966, developer James Rouse created a city with planned neighborhoods, commercial and industrial development, and open spaces. Rouse envisioned a community with a sense of belonging and self-sustainability, which has largely become reality. Located within Columbia, Merriweather Post Pavilion is an entertainment destination for citizens throughout the State and beyond. Merriweather was designed by architect Frank Gehry to minimize changes to the topography while providing stellar acoustics. Each summer, Merriweather hosts over 200,000 visitors for concerts and festivals.

Many historical structures occupy Howard County. Built in 1830, the oldest railroad terminal in the United States houses the Ellicott City B&O Railroad Station Museum. Another railroad-related structure is the Bollman Truss Railroad Bridge, a semi-suspension bridge made of wrought-iron and cast-iron that is the last bridge of its

kind. Other historic structures include the Thomas Isaac Log Cabin and the Patapsco Female Institute, which was founded in 1837 as a finishing school for young women.

Since 1968, Howard County has been a charter county governed by an elected executive and a five-member council. Howard County's official website 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 municipalities, serves as the county seat. The downtown area contains many historic houses, as well as art galleries, shops, and restaurants. Chestertown is also home to Washington College, a small private liberal arts school. The college was founded in 1782 and is the tenth oldest school of higher education to be chartered in the United States.

Kent County is a nature lover's paradise. Eastern Neck National Wildlife Refuge is an unspoiled island habitat reachable by the Chesapeake Country Scenic Byway, Maryland's oldest national scenic byway. Thousands of waterfowl migrate here each year, mostly Canada geese, tundra swan, and canvasback ducks. The Sassafras River Natural Resource Management Area and Turner's Creek also provide opportunities to see wildlife and scenic landscapes. The county has many natural venues for outdoor activities such as fishing, boating, and cycling that appeal to residents and visitors.

Historically, the Chester River prominently contributed to the Kent County economy. Chestertown was a royal port of entry and later served as a shipping port for steamboats. Today, the maritime focus of the Kent County economy has shifted to Rock Hall, where many watermen make a living and charter fishing is a favorite pastime for visitors. Additionally, agriculture is a significant contributor to the local economy. Kent County agricultural products include corn, milk, soybeans, and vegetables.

Since 1970, Kent County has operated as a code home rule county, governed by three county commissioners. Kent County's official website 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. The county has the largest population in the State with approximately one million residents. Of the 19 municipalities in the county, Rockville serves as the county seat.

Montgomery County is one of the most affluent and diverse jurisdictions in Maryland, home to the largest Hispanic and Asian communities in the State. The county remains a leader in advanced technology and research with over 350 bioscience companies located in the county, including biotech leaders such as AstraZeneca, GlaxoSmithKline, and United Therapeutics. Eighteen federal agencies are also located in the county, including the National Institutes of Health, the National Institute of Standards and Technology, and the Food and Drug Administration. Additionally, the county has many hospitality companies, financial services, agriculture/horticulture businesses, and construction/real estate companies.

Although Montgomery County is better known for its urban centers and technology, it encompasses many historical sites, nature parks, and gardens, including the Chesapeake and Ohio Canal National Historical Park. In 1828, construction began on the Chesapeake and Ohio Canal in Little Falls and was intended to extend 360 miles to Ohio. Unfortunately, financial troubles and unexpected weather stopped construction in Cumberland. The canal was eventually turned over to the federal government and proclaimed a national historical park in 1971. Today, the park consists of several hiking trails. One trail leads to beautiful views of the Great Falls, where the Potomac River cuts through the landscape. Other parks in Montgomery County include Seneca Creek State Park, Black Hill Regional Park, Little Bennett Regional Park, and Rock Creek Regional Park. Gardens in the county include McCrillis Gardens and Brookside Gardens.

In 1948, Montgomery County became the first county to adopt charter home rule. Today, Montgomery County is governed by an elected executive and a nine-member council. Montgomery County's official website 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, 1 of 27 municipalities, serves as the county seat.

Prince George's County, the second largest county in terms of population, 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 U.S. Department of Agriculture Beltsville Agricultural Research Center and the Army Research Laboratory. FedEx Field, the home of the Washington Redskins, is also located in the county.

Prince George's County is home to the University of Maryland, College Park, the University System of Maryland's flagship campus and one of the largest employers in the county. The university was founded in 1856 and today has approximately 27,000 undergraduate and 11,000 graduate students. The university is well known for its research and ranks consistently high among the country's public research universities in publications such as *U.S. News and World Report*. The university also plays a large role in the arts through the Clarice Smith Performing Arts Center.

In the spring of 2008, National Harbor made its debut in Prince George's County. National Harbor is a 300-acre, mixed-use community on the Potomac River. The community includes hotels, restaurants, retail stores, condominiums, marinas, and commercial office space. Located within National Harbor is the Gaylord National Hotel and Convention Center. MGM Resorts was awarded a license to build and operate a destination resort casino at National Harbor in December 2013. Construction began in summer 2014 and should be completed by summer 2016.

Considering its urban location, Prince George's County has a large amount of open space. The Patuxent Research Refuge encompasses approximately 13,000 acres and includes the National Wildlife Visitor Center. The refuge has two lakes and many hiking trails, while the visitor center provides hands-on activities and multimedia displays to educate visitors about the surrounding wildlife and landscape. Other natural habitats in the county include the Patuxent River Park, Merkle Wildlife Sanctuary, and Cedarville State Forest, which includes the headwaters of the only fresh water swamp in Maryland, Zekiah Swamp.

Since 1970, Prince George's County has been a charter county governed by an elected executive and a nine-member council. Prince George's County's official website is found at <http://www.princegeorgescountymd.gov>.

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 considered the "Gateway to the Eastern Shore"

because eastbound travelers enter Queen Anne's County via the Chesapeake Bay Bridge. Centreville, the largest of eight municipalities in the county, serves as the county seat and houses the oldest courthouse in continuing use in Maryland.

Directly over the Chesapeake Bay Bridge is Kent Island, the first area to be settled on the Eastern Shore. Today, Kent Island contains many marinas and restaurants, and the quaint Town of Stevensville. Continuing onto the Eastern Shore, travelers find themselves in Queenstown. To the average traveler, Queenstown is known for its outlet stores. However, a short detour off of the main highway finds a small town with an interesting historic district.

On the border of Queen Anne's and Talbot counties lies Wye Oak State Park. The park consists of 29 acres that were purchased by the State in order to protect the Wye Oak Tree. The tree measured 31 feet, 8 inches in circumference and was considered the largest white oak in the United States until it fell during a wind storm in 2002. The park is also home to the Wye Grist Mill. The mill is powered by a water wheel and still grinds flour on first and third Saturdays from mid-April to mid-November.

Although Queen Anne's County has experienced significant growth, it has maintained a primarily agricultural- and tourism-based economy. Tuckahoe State Park and Wye Island Wildlife Refuge provide unique experiences for nature lovers. The county is also home to the Chesapeake Bay Environmental Center, which specializes in environmental education, restoration, and recreation. 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 website 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. Leonardtown, the only municipality in the county, serves as the county seat.

It was in St. Mary's County that the Ark and Dove landed on March 25, 1634, and the county, considered Maryland's birthplace, is where the first Maryland State House stood. Historic St. Mary's City recreates colonial times through several living history exhibits, including a working replica of the Dove, which is moored on the St. Mary's River. A reconstruction of the 1634 State House, the Woodland Indian Hamlet, and the Godiah Spray Tobacco Plantation also allow visitors to step into the past. Artifacts from the city are displayed at the St. John's Site Museum, which also preserves the foundation of the

home that was built in 1638 for Maryland's first provincial secretary. The site of Maryland's first capital is also home to St. Mary's College of Maryland, which has been designated the State's honors college.

St. Mary's County is located where the Potomac River meets the Chesapeake Bay. The location where the river and bay meet was used during the Revolutionary War and the War of 1812 as a watch post and during the Civil War as a Union hospital and prison camp. Today the location is known as Point Lookout State Park and is a popular camping and fishing spot. Other State parks in St. Mary's County include Greenwell State Park, Newtowne Neck State Park, St. Clements Island State Park, and St. Mary's River State Park.

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.

In stark contrast to the technical industry, St. Mary's County has a large Amish and Mennonite presence. Amish and Mennonite communities are located in Charlotte Hall, Mechanicsville, and Loveville, and it is not uncommon to see horse buggies driving along the roadways. Several roadside markets provide ample opportunities to buy Amish produce and baked goods.

The county has a commission government and is governed by five county commissioners. St. Mary's County's official website 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 municipality 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. State facilities include the University of Maryland Eastern Shore and the Eastern Correctional Institution.

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 National Hard Crab Derby to celebrate the county’s rich seafood heritage. The derby includes crab races, crab picking contests, and boat docking races. Crisfield also hosts the J. Millard Tawes Crab and Clam Bake on the third Wednesday of every July. The event is named after the fifty-fourth governor of the State and is considered an important event for most statewide political campaigns. Besides meeting political candidates, attendees at the crab and clam bake indulge in all-you-can-eat crabs, clams, fish, corn on the cob, and watermelon.

Smith Island is a short boat ride west of Crisfield. The island is located in a part of the Chesapeake Bay referred to as the Tangier Sound and the dialect spoken there is called “Tidewater English” by linguists. Historically known for commercial crabbing, Smith Island has also become known for its multilayer cake (aka Smith Island Cake), which the General Assembly designated the State dessert in 2008.

The county has a commission government and is governed by five county commissioners. The official website for Somerset County is found at <http://www.somersetmd.us>.

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 municipalities, serves as the county seat.

Talbot County’s quaint towns and waterfront communities make the county a popular tourist destination. Easton’s downtown consists of tree lined streets with unique stores and restaurants. Each November, the Waterfowl Festival is held in Easton, attracting thousands of visitors to celebrate nature, art, and local sportsman activities.

In the county’s colonial days, the shipbuilding industry flourished. Today, people can relive these earlier times by visiting the Chesapeake Bay Maritime Museum located in St. Michaels. At the museum, visitors can observe the restoration of traditional boats or the carving of decoys.

Nearby Oxford and Tilghman Island are also popular vacation spots. Oxford, originally one of two seaports in the State, is a charming town that remains largely untouched by modern development and is home to the Oxford-Bellevue Ferry, one of the oldest, privately owned ferries in the country. Tilghman Island is an authentic working waterman’s village and is home to the oldest working skipjack on the Chesapeake Bay.

Due to its natural setting along the bay, besides tourism and agriculture, Talbot 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. Talbot County's official website 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. The county is located in Western Maryland. Hagerstown, the largest of nine municipalities in the county, serves as the county seat.

Washington County has become a popular destination for its Civil War history. Antietam National Battlefield was the site of the bloodiest day of the Civil War. Today visitors to the battlefield can view commemorative monuments that indicate where Union and Confederate troops fought during the battle. The monuments include mortuary cannons that mark where six generals were killed or mortally wounded. Other Civil War sites include Pry House Field Hospital Museum and Washington Confederate Cemetery, established as part of the Rose Hill Cemetery in 1871. Fort Frederick State Park is another destination in Washington County that offers insight into colonial warfare. The fort was built in 1756 to protect the colony of Maryland during the French and Indian War. Each year, British, French, and Indian reenactors assemble for eighteenth century living history demonstrations and battle reenactments.

Washington County also offers a variety of outdoor activities. The South Mountain and Potomac River provide the perfect scenery for several State and national parks. The county is home to Ferry Hill Place, part of the Chesapeake and Ohio Canal National Historical Park, Greenbrier State Park, and the Western Maryland Rail Trail.

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 proximity to the interstates has also provided residents with easy access to nearby metropolitan areas.

The county has a commission government and is governed by five county commissioners. Washington County's official website 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 municipalities, serves as the county seat and is the cultural and entertainment destination on the Lower Eastern Shore. Salisbury is home to Salisbury University and the Delmarva Shorebirds, a Class A minor league affiliate of the Baltimore Orioles. Also located in Salisbury are Wicomico County’s civic center, equestrian center, and athletic complex.

Additionally, Wicomico County’s rich heritage offers many sites for visitors and residents to enjoy. Visitors to Wicomico County often visit the Salisbury Zoo and the Ward Museum of Wildfowl Art. The Salisbury Zoo houses animals from North, South, and Central America and admission for the public is free. The Ward Museum exhibits the history of making decoys with emphasis on the work of local artists. The Adkins Museum and Historical Complex provides tours of eight historic buildings and includes over 800 mid-nineteenth century artifacts. Visitors wanting to learn more about lower Eastern Shore life can also explore exhibits focusing on textiles, banking, sports and leisure, and spirituality at the Barren Creek Heritage Center and Museum, which offers over 30 permanent exhibits. The Whitehaven Ferry, which travels between Salisbury and the Town of Whitehaven across the Wicomico River, began operating in 1688 and is thought to be the oldest continuously operating ferry in the United States. Nearby is Upper Ferry, a smaller ferry that also crosses the Wicomico River. Those individuals wishing to explore the outdoors can visit Pemberton Historical Park, which offers more than five miles of nature hiking trails.

Wicomico County is one of the leading agricultural producers in the State, although it is also a commercial/industrial center. The county is the national headquarters for Perdue Farms, one of the largest employers in the area. The county also has a nationally recognized hospital and one of the largest airports in the State.

Since 1964, Wicomico County has operated as a charter county and is now governed by an elected executive and a seven-member council. Wicomico County’s official website 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 municipalities in the county, serves as the county seat.

Ocean City is the county's largest municipality and serves as one of the State's most prominent tourist attractions, offering cruises, fishing, golfing, surfing, amusement parks, and sunbathing. Ocean City hosts visitors for the White Marlin Open, the Dew Tour, the Delmarva Birding Weekend, and the World Championship Wildfowl Carving Competition. Two festivals mark the beginning and end of the tourist season, Springfest and Sunfest.

An alternative for the crowds of Ocean City is nearby Assateague State Park and Assateague Island National Seashore. Visitors to the area will find beaches untouched by development, hiking trails, and campgrounds. Frequently, guests will see wild ponies or one of the over 200 species of birds that live or migrate through the park and seashore.

The historic town of Berlin is also a short ride from Ocean City. Berlin is lined with antique stores and over 45 structures listed on the National Register of Historic Places. Major motion pictures *Tuck Everlasting* and *Runaway Bride* were filmed there. In addition, in 2014, Berlin was named America's Coolest Small Town in a contest by *Budget Travel*. Ocean Downs Racetrack is another noteworthy destination in Worcester County. Throughout the summer live harness racing can be watched and betted on, and throughout the year the racetrack simulcasts both thoroughbred and standardbred races. Additionally, the Casino at Ocean Downs, which opened in 2011, has over 800 slot machines and virtual table games. Besides agriculture and 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. Worcester County's official website is found at <http://www.co.worcester.md.us>.

Chapter 3. County Government

This chapter reviews the three forms of county government: commission, charter home rule, and code home rule. Although Baltimore City is a municipality with a unique history, it will be reviewed in conjunction with the charter home rule counties because it derives its home rule powers under Article XI-A of the Maryland Constitution, the same article under which the charter home rule counties operate. Exhibit 3.1 shows the form of government for each Maryland county and the year in which local home rule became effective.

Exhibit 3.1
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 City	1918	Caroline	1984	Carroll
Baltimore	1956	Charles	2002	Garrett
Cecil	2012	Kent	1970	St. Mary's
Dorchester	2002	Queen Anne's	1990	Somerset
Frederick	2014	Worcester	1976	Washington
Harford	1972			
Howard	1968			
Montgomery	1948			
Prince George's	1970			
Talbot	1973			
Wicomico	1964			

Source: Department of Legislative Services

Establishment and Alteration of Counties

As the county historical overview in Chapter 2 indicates, Maryland's counties were created by different means. Despite the historical variations, the Maryland Constitution for over 100 years has governed the process for the establishment of counties. Specifically, Article XIII of the Maryland Constitution prescribes the manner in which a county may be established and a county boundary 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 those prescribed by the Maryland Constitution.

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 municipalities at 59% of the total. The amount of local legislation reached an all-time high during the 1951 session when 70% 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 Theodore R. 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 municipalities. 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 amendment, coupled with the enactment of a statutory subtitle on home rule, granted municipalities broad powers to enact, amend, or repeal their charters and at the same time restricted the General Assembly's powers to pass local legislation for municipalities.

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, 11 counties exercise charter home rule, and 6 counties operate under code home rule. The other 6 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.

County Functions and Services

Regardless of the form of county government, certain functions and services have come, over time, 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 and 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.

Section 9-403 of the Local Government Article establishes that the county commissioners of each county are 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 in which county commissioners are elected. All but one of the commission counties have five county commissioners; the remaining county, Garrett County, has three commissioners. Commissioners are elected at-large, by district, or by a combination of these methods. Under Article XVII of the Maryland Constitution, county commissioners are elected for four-year terms, coincident with the election of the Governor and members of the General Assembly. Exhibit 3.2 shows the structure and election system for each commission county.

**Exhibit 3.2
County Governments – Form and Structure**

County	Government Form	Elected Executive	Legislative Structure	Members on County Council/Board		Total
				At-Large	District	
Allegany	Code Home Rule	No	Board of Commissioners	3	0	3
Anne Arundel	Charter Home Rule	Yes	County Council	0	7	7
Baltimore City ¹	Charter Home Rule	Yes	City Council	1	14	15
Baltimore	Charter Home Rule	Yes	County Council	0	7	7
Calvert ²	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	0	5	5
Cecil ²	Charter Home Rule	Yes	County Council	0	5	5
Charles ^{1,2}	Code Home Rule	No	Board of Commissioners	1	4	5
Dorchester	Charter Home Rule	No	County Council	0	5	5
Frederick ³	Charter Home Rule	Yes	County Council	2	5	7
Garrett ²	Commission	No	Board of Commissioners	0	3	3
Harford ¹	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 ²	Code Home Rule	No	Board of Commissioners	1	4	5
St. Mary's ^{1,2}	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

¹In Baltimore City and Charles, Harford, and St. Mary's counties, the council or board president is elected at-large. In other counties, the president is either selected by the council/board members or the individual who received the most votes in the election.

²In Calvert, Cecil, Charles, Garrett, Queen Anne's, and St. Mary's counties, at least some of the council members or commissioners must reside within specified districts but be elected by voters throughout the county.

³On November 6, 2012, Frederick County voters approved the adoption of a county charter that provides for an elected county executive and a seven-member county council with five members elected by district and two members elected at large. The first executive and council members will be elected in November 2014. The charter is effective December 1, 2014.

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 six commission counties have considered home rule on one or more occasion. Until 2002, the voters in each instance rejected the proposed change, apparently satisfied that the commission form of government met local needs. In 2002, home rule referendums were successful in two counties: Charles County adopted code home rule and Dorchester County adopted charter home rule. More recently, Cecil County adopted charter home rule in 2010, effective December 3, 2012, and Frederick County voters approved charter home rule in 2012, effective December 1, 2014.

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 3.3. 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 11 counties operate under charter home rule. These counties and the date that charter home rule became effective are shown in Exhibit 3.1.

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 timeframe was extended to 12 months; in 1992 it was extended to 18 months. Since the streamlined process for adopting charter home rule was made available in 1970, four of the five counties that have adopted charter home rule after 1970 have used the alternative procedure. These counties include Cecil, Dorchester, Frederick, and Talbot.

Exhibit 3.3
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 on Charter Board Membership	If majority favors 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 rejects 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 two 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 favors adoption of charter, charter effective on the thirtieth day from the date of election. If majority rejects adoption of charter, process ends.	If majority favors adoption of charter, charter effective on the thirtieth day after date of election or later date specified in charter. If majority rejects 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, Sections 2 and 3 of the Maryland Constitution. Moreover, the voters may not legislate through the charter amendment process. For example, in *Save Our Streets v. Mitchell*, 357 Md. 237, 743 A. 2d 748 (2000), the Court of Appeals invalidated efforts by citizens in Montgomery and Harford counties to address certain matters through proposed charter amendments. The proposal put forth in Montgomery County would have allowed the voters to ban speed bumps on residential streets. The proposal put forth in Harford County would have allowed voters to decide whether to ban new development for a year.

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 be proposed only by the General Assembly, amendments to county charters may be proposed either by the mayor and city council of Baltimore City or a county council, or by the voters themselves. Article XI-A, Section 5 of the Maryland Constitution addresses the charter amendment process. Basically, a charter amendment may be proposed by resolution of the council or by a petition that is signed by at least 20% of the registered voters or by 10,000 registered voters, whichever is less, and filed with the council. The proposed amendment is published in local newspapers and 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 adopting 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 granted the express powers with the adoption of the “Express Powers Act” (Title 10 of the Local Government Article).

Section 10-102(a) of the Local Government Article provides that “[i]n addition to other powers granted to charter counties, each charter county may exercise by legislative enactment the express powers provided in Subtitles 2 and 3 of this title.” Subject to the constitution and the public general laws 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 fines and criminal fines and penalties up to a certain statutory cap. A charter county may incur general obligation debt up to a certain statutory cap and subject to the possibility of a petition to referendum. A charter county also may establish special taxing districts for any of the purposes enumerated in Title 10 of the Local Government Article. Additionally, a charter county exercises zoning authority under the Express Powers Act rather than the Land Use Article.

An important enumerated power of charter counties is the general welfare clause under Section 10-206(a) of the Local Government Article:

A county council may pass any ordinance, resolution, or bylaw not inconsistent with State law that:

- (1) may aid in executing and enforcing any power in this title; or
- (2) may aid in maintaining the peace, good government, health, and welfare of the county.

This provision, describing the so-called “police powers,” allows charter counties to enact local laws for the public good as long as the local laws are not preempted by or in conflict with the public general law of the State. In interpreting this provision, the 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 [Section 10-206(a) of the Local Government Article] were not to be construed as a broad grant of power to legislate on matters not specifically enumerated in [Title 10]” (*Montgomery 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, in *McCrorry Corporation v. Fowler*, 319 Md. 12, 570 A. 2d 834 (1990), the Court of Appeals rejected an effort by a charter county to

establish what was viewed as a new private judicial 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

Nine of the 11 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, Section 9-204(b) of the Local Government Article 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 (which applies to all counties except Cecil County since 2000), 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 Cecil County, council members and the county executive are elected to four-year terms; however, two council members and the county executive are elected in presidential election years and three council members are elected in gubernatorial election years. In 1996, the constitution was amended to allow council vacancies to be filled by special election as authorized by the General Assembly. Similar changes were made to the constitution in 2014 to authorize filling vacancies in the office of the county executive or chief executive officer by special election. 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 3.2 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 municipality, it is treated as a county for most purposes under 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 municipalities in the State. Moreover, Section 1-107 of the General Provisions Article provides that, for purposes of the Annotated Code of Maryland, the word "county" means

a county of the State or Baltimore City. In addition, as defined in Section 1-101 of the Local Government Article, for that article, “municipality” means a municipality organized under Article XI-E of the Maryland Constitution and does not include Baltimore City.

Originally, Baltimore City was established as a municipality 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 the Local Government Article. 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 be changed only 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. 187 (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 move the general election date back to the previous cycle, providing that the city’s officers would next be elected in 2007 and every four years afterwards. After very low turnout for the 2011 elections, however, the General Assembly revised State election law in 2012 (Chapters 548 and 549) to change the dates of the city’s primary and general elections to coincide with presidential elections beginning in 2016.

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 Maryland Constitution as supplemented by Sections 9-303 through 9-306 of the Local Government Article. This process is outlined in Exhibit 3.4. 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 3.1 lists the six counties that have adopted code home rule and the year in which local home rule became effective.

Constitutional and Statutory Authority

Unlike a charter county, a code county's legislative authority is derived from two sources: (1) the General Assembly, primarily under Title 9, Subtitle 3 and Title 10 of the Local Government Article; and (2) Article XI-F of the Maryland Constitution. 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 Title 9, Subtitle 3 of the Local Government Article.
- 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.

Exhibit 3.4
Adoption of Code Home Rule under Article XI-F of the
Maryland Constitution and Sections 9-304 through 9-306 of the
Local Government Article

Initiation of Process: Authority	Article XI-F, Section 2 of the Maryland Constitution and Section 9-303 of the Local Government Article, 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 Section 9-304(a) of the Local Government Article, 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 Section 9-304(a) of the Local Government Article, the board must hold at least two public hearings on the question of code home rule.
Adoption of Resolution	Under Section 9-305 of the Local Government Article, within 60 days after the last public hearing, the board must adopt or reject the proposed resolution. Adoption requires a two-thirds majority of the board.
Referendum	Under Article XI-F, Section 2 of the Maryland Constitution and Section 9-306 of the Local Government Article, 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” or “Against Adoption of Code Home Rule.”
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 code resolution must be submitted to voters at the next general election.
Result of Election	Under Section 9-306(c) of the Local Government Article, within 10 days after receiving certification of election results, the board must proclaim the results. If a majority favors adoption of the proposed resolution, the county becomes a code home rule county on the thirtieth 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

- 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 Section 9-302 of the Local Government Article.
- Section 6 describes how a code county may enact, amend, or repeal 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; these provisions are found in Sections 9-309 through 9-313 of the Local Government Article.
- 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 property tax rates and county debt.
- Section 9 restricts the ability of a code county to impose “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 for purposes of Article XI-F, 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,” which is included in a very similar provision for municipalities under Article XI-E, Section 1 of the Maryland Constitution. Whether the term “affairs” was viewed as surplusage when this provision was drafted or whether the term 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, 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 the view of those who see code home rule as an intermediate step short of charter home rule.

In terms of statutory authority, the primary source is Title 10 of the Local Government Article, the Express Powers Act. Section 10-102(b) of the Local Government Article provides that, in addition to other powers granted to code counties, a code county may exercise by legislative enactment the express powers provided in Title 10, Subtitle 3 of the Local Government Article. The grant of express powers under Title 10, Subtitle 3 applies to both charter and code counties and covers a broad range of local matters such as procurement, special taxing districts, streets, nuisances, and zoning and planning. Additionally, although not contained in the Express Powers Act, Section 9-308 of the Local Government Article grants code counties the power to pass legislation in accordance with the provisions set forth in Sections 9-309 through 9-313 of the article. Similarly, Section 19-503 of the Local Government Article grants code counties the power to borrow money and issue bonds. However, the lack of a statutory provision comparable to the provision granting "police powers" to charter counties 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 3.2. 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 4. Municipal Government

There are 156 municipalities with home rule powers under Article XI-E of the Maryland Constitution. While Baltimore City is a municipality, 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 municipalities. With limited exceptions, the authority granted to municipalities under the constitution and public general laws is uniform throughout the State. However, the extent that such authority is exercised within an individual municipality is a decision of the voters by adoption or amendment of the municipal charter and, within the confines of the charter, a decision of the elected governing body by adoption of local laws. This chapter reviews the development and powers of municipalities.

Historical Development

From the 1600s to the mid-1950s, the General Assembly closely supervised the creation and operation of municipalities in the State through the enactment of public local laws. Of the 156 municipalities still in existence, all but five were created by the General Assembly before municipalities were granted home rule authority in 1954. Exhibit 4.1 shows the time periods in which municipalities were established.

Exhibit 4.1
Establishment of Maryland Municipalities

<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 municipality still in existence is Annapolis, in Anne Arundel County, created by Chapter 7 of 1708. Only five other municipalities still in existence 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 municipalities still in existence from 1800 to 1899, and 55 of the municipalities still in existence from 1900 to 1954. The last three municipalities 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 municipalities 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 Maryland Constitution. Rather than by action of the General Assembly, these new municipalities were created by the successful referendum of the voters in each of the former special taxing districts in accordance with the provisions of Title 4, Subtitle 2 of the Local Government Article.

Despite the overall growth in the total number of municipalities throughout Maryland’s history, it is important to note that over the years several municipalities have formally dissolved. For example, the municipal charter of Piscataway, in Prince George’s County, was proclaimed repealed by operation of law by the Secretary of State in 1964 under provisions of law currently found in Section 4-314 of the Local Government Article. Other former municipalities include St. Mary’s City in St. Mary’s County and Arundel on the Bay in Anne Arundel County.

Exhibit 4.2 lists the authority by which today’s 156 municipalities were created within each county.

Exhibit 4.2
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
Anne Arundel			Westminster	1818	Ch. 128
Annapolis	1708	Ch. 7			
Highland Beach	1922	Ch. 213	Cecil		
			Cecilton	1864	Ch. 353
Baltimore			Charlestown	1786	Ch. 32
None			Chesapeake City	1849	Ch. 271
Calvert			Elkton	1821	Ch. 143
Chesapeake Beach	1886	Ch. 203	North East	1849	Ch. 339
North Beach	1910	Ch. 395	Perryville	1882	Ch. 212
			Port Deposit	1824	Ch. 33
Caroline			Rising Sun	1860	Ch. 383
Denton	1802	Ch. 25			
Federalsburg	1823	Ch. 174	Charles		
Goldsboro	1906	Ch. 87	Indian Head	1920	Ch. 590
Greensboro	1826	Ch. 97	La Plata	1888	Ch. 325
Henderson	1949	Ch. 498	Port Tobacco	1888	Ch. 297
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)					

<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. 101
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 (also in Carroll)	1894	Ch. 91	Chevy Chase View	1993	Referendum
Myersville	1904	Ch. 94	Chevy Chase Village	1910	Ch. 382
New Market	1878	Ch. 90	Gaithersburg	1878	Ch. 397
Rosemont	1953	Ch. 262	Garrett Park	1898	Ch. 453
Thurmont	1894	Ch. 16	Glen Echo	1904	Ch. 436
Walkersville	1892	Ch. 351	Kensington	1894	Ch. 621
Woodsboro	1836	Ch. 299	Laytonsville	1892	Ch. 497
Garrett			Martin's Additions	1985	Referendum
Accident	1916	Ch. 514	North Chevy Chase	1996	Referendum
Deer Park	1884	Ch. 519	Poolesville	1867	Ch. 174
Friendsville	1902	Ch. 477	Rockville	1860	Ch. 373
Grantsville	1864	Ch. 99	Somerset	1906	Ch. 795
Kitzmiller	1906	Ch. 285	Takoma Park	1890	Ch. 480
Loch Lynn Heights	1896	Ch. 450	Washington Grove	1937	Ch. 372
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			

<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	Somerset		
Bowie	1882	Ch. 488	Crisfield	1872	Ch. 151
Brentwood	1912	Ch. 401	Princess Anne	1867	Ch. 183
Capitol Heights	1910	Ch. 513	Talbot		
Cheverly	1931	Ch. 200	Easton	1790	Ch. 14
College Park	1945	Ch. 1051	Oxford	1852	Ch. 367
Colmar Manor	1927	Ch. 178	Queen Anne		
Cottage City	1924	Ch. 390	(also in Queen	1953	Ch. 17
District Heights	1936	Ch. 61	Anne’s)		
Eagle Harbor	1929	Ch. 397	St. Michaels	1804	Ch. 82
Edmonston	1924	Ch. 154	Trappe	1827	Ch. 103
Fairmount Heights	1935	Ch. 199	Washington		
Forest Heights	1949	Ch. 142	Boonsboro	1831	Ch. 139
Glenarden	1939	Ch. 650	Clear Spring	1836	Ch. 141
Greenbelt	1937	Ch. 532	Funkstown	1840	Ch. 78
Hyattsville	1886	Ch. 424	Hagerstown	1813	Ch. 121
Landover Hills	1945	Ch. 465	Hancock	1853	Ch. 319
Laurel	1870	Ch. 260	Keedysville	1872	Ch. 251
Morningside	1949	Ch. 589	Sharpsburg	1832	Ch. 28
Mount Rainier	1910	Ch. 514	Smithsburg	1841	Ch. 284
New Carrollton	1953	Ch. 441	Williamsport	1823	Ch. 125
North Brentwood	1924	Ch. 508	Wicomico		
Riverdale Park	1920	Ch. 731	Delmar	1888	Ch. 167
Seat Pleasant	1931	Ch. 197	Fruitland	1947	Ch. 662
University Park	1936	Ch. 132	Hebron	1931	Ch. 90
Upper Marlboro	1870	Ch. 363	Mardela Springs	1906	Ch. 325
Queen Anne’s			Pittsville	1906	Ch. 499
Barclay	1931	Ch. 483	Salisbury	1854	Ch. 287
Centreville	1794	Ch. 23	Sharptown	1874	Ch. 465
Church Hill	1876	Ch. 201	Willards	1906	Ch. 195
Millington (also in Kent)	1890	Ch. 386	Worcester		
Queen Anne (also in Talbot)	1953	Ch. 17	Berlin	1868	Ch. 424
Queenstown	1892	Ch. 542	Ocean City	1880	Ch. 209
Sudlersville	1870	Ch. 313	Pocomoke City	1878	Ch. 253
Templeville (also in Caroline)	1865	Ch. 86	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 municipalities by enacting individually drafted charters and any amendments to the charters. However, the General Assembly shifted the balance of municipal power to the municipalities 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 municipalities 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 municipalities on a general basis and not pass local legislation to amend the charters of individual municipalities.

Article XI-E of the Maryland Constitution establishes certain provisions relating to municipalities as outlined below:

- Section 1, except as otherwise provided, establishes that the General Assembly may only legislate on matters relating to the incorporation, organization, government, or affairs of municipalities 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 municipalities into not more than four classes based on population. To date, the General Assembly has chosen to provide for just one class, as stated in § 4-102 of the Local Government Article, which contains all of the municipalities.
- Section 3 grants each municipality 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 municipality.
- 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 Title 4, Subtitle 3 of the Local Government Article.
- Section 5 grants the General Assembly authority to set maximum property tax rates and to limit the amount of debt that a municipality may incur. However, a tax or debt limit may not take effect until approved by the voters of the municipality at a regular or special election.

- Section 5 also prohibits a municipality 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

Title 4, Subtitle 2 of the Local Government Article prescribes the manner in which a new municipality may be 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 any form of government for municipalities. Section 1-101 of the Local Government Article merely states that “‘municipality’ means a municipality that is organized under Article XI-E of the Maryland Constitution.” Given these broad guidelines, the forms of government that the municipalities have developed over time can be grouped into three basic categories: (1) commission; (2) mayor-council; and (3) council-manager. 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 municipalities, such as the Town of Middletown, the title “burgess” is used.

According to the Maryland Municipal League, approximately 70% of municipalities 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% have commissions and approximately 10% 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 municipality.

The governing bodies of municipalities can appoint managers or administrators to 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, 90 municipalities have full-time, professional managers or administrators, and 14 municipalities have part-time, circuit-rider administrators. In the remaining 52 municipalities, the day-to-day administrative operations are conducted by the elected officials, typically the mayor.

Election of Local Officials

Because municipalities 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 municipalities. 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 municipality who are registered to vote with the local elections board for the county in which an individual’s residence is located. In addition, § 4-108 of the Local Government Article requires municipalities to allow voting in municipal elections by absentee ballot. In practice, municipalities may, and frequently do, rely on county election boards to administer municipal elections. Overall, the flexibility that municipalities possess in election matters contributes to the autonomy of Maryland’s municipalities.

Powers of Municipalities

Article XI-E of the Maryland Constitution grants a municipality authority to amend or repeal its charter or local laws relating to the incorporation, organization, government, or affairs of the municipality and authority to adopt a new charter. Procedures governing charter amendments are found in Title 4, Subtitle 3 of the Local Government Article.

The General Assembly has codified many of the powers of a municipal government in Title 5, Subtitle 2 of the Local Government Article. Of particular significance, Section 5-202 provides a broad grant of authority for the legislative body of a municipality to adopt ordinances to:

- (1) assure the good government of the municipality;
- (2) protect and preserve the municipality's rights, property, and privileges;
- (3) preserve peace and good order;
- (4) secure persons and property from danger and destruction; and
- (5) protect the health, comfort, and convenience of the residents of the municipality.

Three other specific powers deserve particular mention: (1) amendments to municipal charters; (2) annexation of property; and (3) urban renewal powers for slum clearance.

Charter Amendments

As noted above, Article XI-E of the Maryland 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 a municipality or by a petition signed by at least 20% 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% 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 timeframe. Within 10 days following an election, the mayor or chief executive officer of the municipality 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 the Local Government Article.

Annexations

As part of its home rule powers, a municipality may annex contiguous, unincorporated property in accordance with the provisions of Title 4, Subtitle 4 of the Local Government Article. 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, the governing body of a municipality must develop an annexation plan as part of a proposed annexation. The annexation plan must be consistent with the municipal growth element contained in the municipality'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, § 4-416 of the Local Government Article restricts substantial changes by the municipality in the use or density for the zoning classification applicable at the time of the annexation without the consent of the county for five years following the annexation.

Urban Renewal Powers for Slum Clearance

Notwithstanding the broad grant of municipal home rule authority under the constitution and Title 5 of the Local Government Article, and the general condemnation power under § 5-204(c) of the Local Government Article in particular, a municipality 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 municipality (or a county) to carry out urban renewal projects and to condemn property for this purpose. To date, 70 out of Maryland's 156 municipalities have been granted urban renewal authority under this provision of the constitution. Once granted this authority, a municipality may condemn individual blighted properties under § 5-215 of the Local Government Article.

Exhibit 4.3 lists the municipalities that have been granted urban renewal powers for slum clearance by the General Assembly, as well as the chapter law and year when the authority was granted and, if applicable, amended.

Exhibit 4.3
Municipalities with Urban Renewal Powers for Slum Clearance

<u>Municipality</u>	<u>Year</u>	<u>Chapter</u>	<u>Municipality</u>	<u>Year</u>	<u>Chapter</u>
Aberdeen	1963	Ch. 72	Federalsburg	1975	Ch. 495
Annapolis	1961	Ch. 755		1976	Ch. 640 *
	1976	Ch. 843 *	Frederick	1961	Ch. 632
Bel Air	1963	Ch. 70	Frostburg	1961	Ch. 843
Berlin	1963	Ch. 101		1963	Ch. 152 *
Betterton	1976	Ch. 81		1965	Ch. 40 *
	1996	Ch. 40 **	Galena	1976	Ch. 410
Bladensburg	1998	Ch. 86	Galestown	2007	Ch. 216
Boonsboro	2005	Ch. 73	Glenarden	1963	Ch. 776
Bowie	1965	Ch. 904	Goldsboro	2002	Ch. 12
Brookview	2007	Ch. 215	Greensboro	2002	Ch. 13
Cambridge	1961	Ch. 618	Hagerstown	1961	Ch. 830
	1968	Ch. 194 *	Havre de Grace	1963	Ch. 71
	1969	Ch. 358 *	Henderson	2002	Ch. 11
Capitol Heights	1965	Ch. 903	Hillsboro	2002	Ch. 183
	2002	Ch. 234 **	Hurlock	2007	Ch. 279
Centreville	1963	Ch. 348	Hyattsville	1963	Ch. 783
Charlestown	2002	Ch. 147		1968	Ch. 415 *
Chestertown	1975	Ch. 380	Landover Hills	2002	Ch. 74
Cheverly	1996	Ch. 631	Laurel	1963	Ch. 775
College Park	1963	Ch. 777	Leonardtwn	1963	Ch. 593
Colmar Manor	1966	Ch. 624	Marydel	2002	Ch. 10
Cottage City	2002	Ch. 75	Millington	1976	Ch. 80
Crisfield	1963	Ch. 615	Morningside	1969	Ch. 729
Cumberland	1961	Ch. 758	Mount Rainier	1963	Ch. 781
Denton	1975	Ch. 494	North Beach	1978	Ch. 709
	1976	Ch. 641 *	Ocean City	1963	Ch. 103
District Heights	1999	Ch. 413	Oxford	1977	Ch. 28
Easton	1961	Ch. 844	Perryville	1978	Ch. 166
	1977	Ch. 29 *	Pocomoke City	1963	Ch. 102
Eldorado	2007	Ch. 278		1969	Ch. 328 *
Elkton	1961	Ch. 762	Port Deposit	1961	Ch. 760
Fairmount Heights	1965	Ch. 895	Preston	2002	Ch. 181
			Princess Anne	1963	Ch. 614

<u>Municipality</u>	<u>Year</u>	<u>Chapter</u>	<u>Municipality</u>	<u>Year</u>	<u>Chapter</u>
Queen Anne	1977	Ch. 25	Seat Pleasant	1968	Ch. 336
Ridgely	2002	Ch. 182		1969	Ch. 280 *
Riverdale Park	1968	Ch. 646	Snow Hill	1963	Ch. 172
Rock Hall	1976	Ch. 79	Sudlersville	2004	Ch. 400
Rockville	1961	Ch. 826	Takoma Park	1961	Ch. 827
	1963	Ch. 646 *		1963	Ch. 653 *
	1967	Ch. 700 *	Taneytown	1996	Ch. 36
	1975	Ch. 241 *	Trappe	1977	Ch. 26
St. Michaels	1977	Ch. 27	Westernport	1963	Ch. 147
	1986	Ch. 582 **	Westminster	1961	Ch. 342
Salisbury	1961	Ch. 842			

*Authority amended.

**Subsequent grant of authority.

Source: Department of Legislative Services

Limitations on Municipal Authority

While municipalities exercise broad home rule authority, the authority is not absolute. Under Article XI-E, Section 5 of the Maryland Constitution, the municipalities share concurrent jurisdiction with the General Assembly in regard to maximum limitations on property taxes and indebtedness. Section 5 also restricts a municipality 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 municipalities within a given class. 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....”. Section 6 also expressly prohibits a municipality from regulating alcoholic beverage sales as well as sales on Sundays (blue laws) in its charter. Lastly, the governing body of a municipality may not legislate in areas that have been preempted by the State either by express preemption, preemption by conflict, or preemption by implication.

Codification of Municipal Charters

While municipalities have broad authority to amend their charters, the law requires municipalities to follow certain procedures. Under § 4-109 of the Local Government Article, municipalities 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 (§§ 4-304(c) and 4-407 of the Local Government Article).

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 municipality in the State and is updated annually to reflect the charter amendments that are passed by the legislative body of each municipality. 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 municipalities reflects the specific urban renewal powers of that municipality. The appendix may be amended or repealed only by the General Assembly.

Additionally, the Department of Legislative Services publishes each municipal charter on the General Assembly website, as well as copies of each municipal charter amendment and annexation resolution sent to the department since 2013.

Chapter 5. State and Local Relationships

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 municipalities possess authority to legislate only in those areas authorized by the Maryland Constitution and the Maryland General Assembly. Furthermore, the authority of counties and municipalities 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 approximately 2,700 bills introduced during the 2014 session, approximately 13% dealt with one or more 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 municipalities. 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. 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 uncodified, 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 2010 census, each legislative district of the State, represented by one senator and three delegates, includes approximately 123,000 citizens. Sixteen of the 47 legislative districts are divided into two or three 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 portion of a county or Baltimore City. In the rural areas, such as Maryland's Eastern Shore, a senator or delegate may represent citizens of up to 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 supports or opposes local legislation, the rest of the senators or delegates generally will defer to 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* allow 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, may consider local legislation, although local bills are generally referred to the standing committees. 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 only in the House of Delegates rather than cross-filed. 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; however, "[a]fter an opportunity for all delegates to be heard, a majority of delegation members present and voting may 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.

Commission Counties

Six of Maryland's counties operate under the traditional form of government – commission government: Calvert, Carroll, 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 among the counties regarding the local economy and geography and the long tradition of local courtesy in the General Assembly.

A review of legislation considered by the General Assembly during the 2011-2014 sessions pertaining to individual commission counties illustrates the legislature's involvement in local matters that are not normally considered for home rule counties. Examples of these issues include the regulation of local roads, sale of county property, fees for water and sewer service and solid waste disposal, the abatement of nuisances, salaries and benefits of county officers and employees, term limits and the filling

of vacancies in a board of county commissioners, litter control, animal control, and even the repeal of a local ban on fortune telling. 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

As explained in Chapter 3, 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 the Express Powers Act, which is codified in Title 10 of the Local Government Article. 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. Eleven of Maryland's counties have adopted charter home rule under Article XI-A of the Maryland Constitution: Anne Arundel, Baltimore, Cecil, Dorchester, Frederick, Harford, Howard, Montgomery, Prince George's, Talbot, and Wicomico.

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 entity under the Maryland Constitution based on its historical role in the development of the State. The city is a municipality, but it is treated as a county for most purposes under State law because it derives its home rule powers from Article XI-A of the Maryland Constitution, which grants home rule to charter counties, rather than Article XI-E of the Maryland Constitution, which grants home rule to municipalities. 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 Title 10 of the Local Government Article 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 Title 10 of the Local Government Article.

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 3, 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].

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*).

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.

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: (1) Central Maryland; (2) Eastern Shore; (3) Southern Maryland; and (4) 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.

Municipalities

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 municipalities. Under Article XI-E of the constitution, each municipality possesses home rule. The municipal home rule amendment is discussed in Chapter 4. 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 municipalities in a given class.

The constitution requires the General Assembly to classify municipalities 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, Section 4-102 of the Local Government Article declares simply that all municipalities constitute a single class.

Notwithstanding the general restriction on the General Assembly legislating for individual municipalities, 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 municipality might impose or the amount of indebtedness that the municipality may incur. Such an act would be subject to the approval of the voters of the municipality. This authority, however, is not an exclusive power of the General Assembly. A municipality 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 municipality. To date, the General Assembly has not exercised its authority under this provision for any municipality.

Another exception is found under Article III, Section 61 of the Maryland Constitution. Notwithstanding the general condemnation power under Section 5-204(c) of the Local Government Article, a municipality 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 municipalities 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 in this subject area for one municipality, or any number that is less than all municipalities, unlike most other subject areas in which the General Assembly must make municipal legislation applicable to all municipalities. From 1960, the year Article III, Section 61 was ratified, through the 2014 session, the General Assembly has granted authority under the Urban Renewal Amendment to 70 municipalities. Exhibit 4.3 lists these municipalities. 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 municipality may exercise condemnation powers for individual blighted properties under Section 5-215 of the Local Government Article.

Special Taxing Districts and Regional Agencies

Special taxing districts created by the General Assembly operate similarly to municipalities. 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 municipalities, 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 multipurpose 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, or abolish special taxing districts for any purpose” listed in Title 10 of the Local Government Article. 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 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 the 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 and 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 Section 1-206 of the General Provisions Article, 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 (1) the regulation of horse racing; (2) the certification of insurers; (3) certain aspects of condominium regimes, cooperative housing corporations, and homeowners’ associations; and (4) 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 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 municipalities. In 1981, confusion resulted from a Court of Appeals decision that held that a county law superceded the law of a municipality if the two provisions were in conflict. *Town of Forest Heights v. Frank*, 291 Md. 331(1981). Most municipalities, 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 municipality 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 municipality in that county. First, county legislation applies within a municipality if provided by a law passed by the General Assembly. Second, subject to the Tax-General Article, Tax-Property Article, and Title 16, Subtitle 5 and Title 20 of the Local Government Article, the area within a municipality 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 municipality. 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 municipalities 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. Overview of 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 two types of revenue sources to provide these necessary services: (1) local own-source revenues such as local taxes and service charges; and (2) intergovernmental revenues such as federal and State grants. In fiscal 2013, local governments in Maryland collected and received \$30.0 billion in revenues. The counties and Baltimore City accounted for 95.4% of local revenues, while municipalities generated 4.6% of local revenues. Exhibit 6.1 shows the amount of local revenues in fiscal 2013 by level of government. Exhibit 6.2 shows the amount of local government revenues for each county.

Exhibit 6.1 Local Government Revenues (\$ in Millions)

	<u>FY 2013 Revenues</u>	<u>Percent of Total</u>
County Level	\$28,566.1	95.4%
Municipal Level	\$1,393.0	4.6%
Total	\$29,959.1	100.0%

Source: Department of Legislative Services

This chapter will discuss the underlying taxing authority of local governments in Maryland and 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 while providing information on revenue trends over the last 10 years.

Exhibit 6.2
Local Government Revenues by County
Fiscal 2013
(\$ in Millions)

County	County	Municipal	Total	Percent County	Percent Municipal
Allegany	\$266.6	\$56.3	\$322.9	82.6%	17.4%
Anne Arundel	2,291.9	101.7	2,393.6	95.8%	4.2%
Baltimore City	3,723.5	0.0	3,723.5	100.0%	0.0%
Baltimore	3,564.5	0.0	3,564.5	100.0%	0.0%
Calvert	398.7	14.7	413.4	96.4%	3.6%
Caroline	117.6	16.3	133.9	87.8%	12.2%
Carroll	646.3	56.8	703.1	91.9%	8.1%
Cecil	354.3	40.4	394.7	89.8%	10.2%
Charles	722.7	17.5	740.2	97.6%	2.4%
Dorchester	116.8	25.1	141.9	82.3%	17.7%
Frederick	1,013.8	166.6	1,180.4	85.9%	14.1%
Garrett	139.9	11.0	150.9	92.7%	7.3%
Harford	1,024.3	61.5	1,085.8	94.3%	5.7%
Howard	1,761.1	0.0	1,761.1	100.0%	0.0%
Kent	73.1	11.0	84.1	86.9%	13.1%
Montgomery	6,096.9	220.1	6,317.0	96.5%	3.5%
Prince George's	4,327.4	182.5	4,509.9	96.0%	4.0%
Queen Anne's	199.3	8.5	207.8	95.9%	4.1%
St. Mary's	406.3	4.4	410.7	98.9%	1.1%
Somerset	75.9	9.1	85.0	89.3%	10.7%
Talbot	114.4	79.4	193.8	59.0%	41.0%
Washington	525.3	106.5	631.8	83.1%	16.9%
Wicomico	354.4	62.2	416.6	85.1%	14.9%
Worcester	251.1	141.3	392.4	64.0%	36.0%
Statewide	\$28,566.1	\$1,393.0	\$29,959.1	95.4%	4.6%

Source: Department of Legislative Services

Local Taxing Authority

The State possesses the inherent power to tax as an aspect of its sovereignty. Local governments, as subdivisions of the State, are not sovereign and may impose taxes only if the State confers this power on them. Article 14 of the Maryland Declaration of Rights states “[t]hat no aid, charge, tax, burthen, or fees ought to be rated or levied, under any pretense, without the consent of the Legislature.” Accordingly, all power to impose taxes at the local level derives from a statutory grant of authority from the General Assembly, either in the form of a public general law or a public local law. While local governments generally enjoy broad autonomy to enact local legislation under the home rule amendments of the Maryland Constitution, the General Assembly retains substantial power over local taxation. The manner in which the General Assembly may exercise its authority over taxation by local governments is subject to certain limitations that vary depending on the type of local government structure that a jurisdiction has adopted. A general discussion of the taxing authority of each type of local government follows.

Charter Home Rule Counties

The General Assembly adopted the Express Powers Act (Title 10 of the Local Government Article) to fulfill the mandate in Article XI-A of the Maryland Constitution to enumerate the powers that may be exercised by all charter counties. A charter county may adopt local laws on any of the subjects covered in the Express Powers Act. The General Assembly is forbidden to adopt a local law for a single charter county relating to any of the express powers. However, the General Assembly may pass public general laws concerning the express powers and such laws prevail over any local law enacted by a charter county.

The Express Powers Act does not include a grant of general taxing authority, but it does contain some provisions concerning taxation. Section 10-313(a) of the Local Government Article authorizes charter counties to impose a property tax in an amount sufficient “for the support and maintenance of the county government.” The inclusion of this provision in the Express Powers Act limits the authority of the General Assembly to pass legislation concerning the levying of property taxes that is applicable to only one charter county. However, the General Assembly may pass local legislation authorizing a single charter county to impose any tax other than the property tax. The General Assembly may also pass public general laws on any aspect of local taxation by charter counties.

In addition, Section 10-314 of the Local Government Article permits charter counties to “establish, modify, or abolish” special taxing districts that perform any function the county itself could perform under the Express Powers Act. Consequently, the General Assembly may not, by public local law, create or alter a special taxing district located

entirely within a single charter county that performs any function covered by the Express Powers Act. It may, however, pass public general laws concerning special taxing districts. The General Assembly could also authorize a single charter county to create a special taxing district to perform a function that the county itself could not perform under the Express Powers Act.

The Express Powers Act provides protection to certain special taxing districts located in a charter county that were created by the State before the adoption of charter home rule. This protection applies to special taxing districts that perform municipal services, other than library service or fire protection, and are governed or administered by a committee or a commission elected or appointed independently of the county governing body. Under Section 10-314(b) of the Local Government Article, these special taxing districts are outside of the county's authority and may only be modified or abolished by the General Assembly.

While Baltimore City is a municipality, it is treated as a county for most purposes of State law because it derives its home rule powers from Article XI-A of the constitution, which grants home rule to charter counties, rather than Article XI-E of the constitution, which grants home rule to municipalities. However, the Express Powers Act does not apply to the city. The powers of the city are codified in Article II of the Baltimore City Charter, which may be amended only by the General Assembly. Consequently, the General Assembly is free to expand, modify, or limit the taxing authority of Baltimore City by amending the city charter.

A county may adopt a charter and amend its charter independently of the General Assembly. A charter provision may place limits on local property tax rates or revenues, and several counties have adopted such limits by charter amendment, including Anne Arundel, Montgomery, Prince George's, Talbot, and Wicomico. In the event of a conflict between a public general law adopted by the General Assembly and a local charter provision limiting taxation, the public general law prevails. However, a charter provision may not be superseded by a public local law enacted by the General Assembly.

Code Home Rule Counties

The Maryland Constitution requires the General Assembly to group code counties into not more than four classes. Code counties are classified according to geographic regions of the State, including Central Maryland, Eastern Shore, Southern Maryland, and Western Maryland. There are currently four counties in the Eastern Shore class (Caroline, Kent, Queen Anne's, and Worcester), one county in the Southern Maryland class (Charles), one county in the Western Maryland class (Allegany), and no counties in the Central Maryland class.

Section 9 of Article XI-F of the constitution prohibits a code county from imposing any tax or fee unless authorized by the General Assembly. A code county may continue to impose a tax or fee authorized by the General Assembly prior to the adoption of code home rule. However, after the adoption of code home rule, a code county may only impose a new tax or fee if the General Assembly authorizes it through a public general law equally applicable to all code counties in one or more of the classes created by the General Assembly. However, in effect, the General Assembly may authorize a tax or fee for a single code county if that county is the only county in its class, as Charles and Allegany counties currently are.

Under Article XI-F, Section 8 of the constitution, the General Assembly has exclusive authority to pass, amend, or repeal a public local law for an individual code county that limits or authorizes a limit on the property tax rate that may be imposed by a code county. However, this authority has never been exercised.

Commission Counties

Counties that have not adopted either charter or code home rule under Article XI-A or XI-F of the Maryland Constitution are known as commission counties. Under Article VII, Section 2 of the constitution, the General Assembly retains plenary power to legislate for commission counties. Consequently, the General Assembly has complete discretion to determine the taxing powers of commission counties through public local laws or public general laws.

Municipalities

The Maryland Constitution requires the General Assembly to group municipalities into not more than four classes based on population. However, the General Assembly has established only one class that includes all municipalities. Section 5 of Article XI-E of the constitution prohibits a municipality from imposing any tax or fee that was not in effect on January 1, 1954, unless authorized by the General Assembly by public general law. A public general law authorizing a municipal tax or fee must apply equally to all municipalities in one or more of the classes created by the General Assembly. Since the General Assembly has created only one class, such a law would apply to all municipalities alike.

Under Article XI-E, Section 5 of the constitution, the General Assembly has authority to limit the property tax rate that may be imposed by any individual municipality. However, a local law limiting municipal property taxes may not take effect unless it is approved by the voters of the municipality in a referendum. The General Assembly has never exercised its power to limit municipal property taxes in this manner. The charter of a municipality may also limit local property tax rates, and several municipalities have adopted such limits.

Power to Grant Tax Exemptions

The power to grant exemptions from a tax is separate and distinct from the power to impose a tax. A legislative delegation of authority by the General Assembly to a local jurisdiction to impose a tax does not include the power to grant exemptions or provide tax credits. The power to provide exemptions or credits must be expressly granted. As discussed above, several provisions of the Maryland Constitution limit the authority of the General Assembly to pass legislation for individual charter counties, code counties, or municipalities relating to the power to *impose* a tax. However, none of these constitutional provisions restricts the power of the General Assembly to legislate for individual charter counties, code counties, or municipalities regarding the power to grant tax exemptions or credits. Therefore, the General Assembly may pass local legislation conferring the power to grant a tax exemption or credit on any individual local jurisdiction, regardless of the form of local government it has adopted.

Special Taxing Authority for Certain Jurisdictions

The General Assembly, by public local law, has granted Montgomery County, Baltimore County, and Baltimore City special broad powers of taxation that are unique among local governments in the State. These powers are codified in Section 52-17 of the Montgomery County Code (originally enacted in 1963), Section 11-1-102 of the Baltimore County Code (originally enacted in 1949), and Article II, Section 40 of the Baltimore City Charter (originally enacted in 1951).

The language of these statutes is similar. Each law grants the county or the city the “power to tax to the same extent as the state has or could exercise” within the limits of the county or city, as part of its general taxing power. Each law also confers the power to “grant exemptions and to modify or repeal existing or future exemptions” from any tax.

The authority conferred by these statutes is limited by a list of taxes the county or city is expressly not permitted to impose. The list of taxes that may not be imposed varies somewhat among the jurisdictions, but each of the jurisdictions is prohibited from imposing taxes on intangible personal property, motor fuel, vehicle registration, vehicle titling,

income, horse racing and pari-mutuel betting, recording of corporate papers, insurance, savings institutions, and estates. In addition, the Montgomery County and Baltimore County statutes expressly state that they may not be interpreted to authorize the county to tax the gross receipts of any person. Baltimore City, however, is permitted to impose a tax on gross receipts, with certain exceptions.

County Revenues in Maryland

County governments and Baltimore City collected \$28.6 billion in revenues in fiscal 2013. 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 64.5% of county revenues, and intergovernmental revenues account for 35.5%. Exhibit 6.3 illustrates the sources of revenues for county governments and Baltimore City and provides a comparison of revenues for fiscal 2003 and 2013. Exhibit 6.4 shows the sources of revenues for each county and Baltimore City for fiscal 2013.

Exhibit 6.3
Sources of Revenue – Counties and Baltimore City
Selected Fiscal Years
(\$ in Millions)

	FY 2003		FY 2013	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Property Taxes	\$4,308.7	24.9%	\$7,138.0	26.7%
Income Taxes	2,857.1	16.5%	4,538.3	17.0%
Other Local Taxes	1,063.4	6.2%	1,504.0	5.6%
Service Charges	1,949.7	11.3%	3,141.9	11.7%
Other	971.8	5.6%	1,054.3	3.9%
State Aid	4,821.7	27.9%	7,423.1	27.7%
Federal Grants	1,316.6	7.6%	1,964.7	7.3%
<i>Subtotal</i>	<i>\$17,289.0</i>	<i>100.0%</i>	<i>\$26,764.3</i>	<i>100.0%</i>
Debt Proceeds	1,109.8		1,801.8	
Total	\$18,398.8		\$28,566.1	

Source: Department of Legislative Services

Exhibit 6.4
County Revenues by Source
Fiscal 2013

County	Property Taxes	Income Taxes	Other Taxes	Service Charges	Federal Grants	State Aid	Other
Allegany	16.4%	9.6%	1.7%	9.7%	11.6%	45.5%	5.6%
Anne Arundel	29.0%	19.0%	6.0%	14.0%	4.7%	23.8%	3.5%
Baltimore City	20.9%	7.6%	5.2%	13.4%	11.8%	36.6%	4.6%
Baltimore	28.0%	20.4%	4.2%	10.4%	8.5%	25.8%	2.7%
Calvert	36.0%	16.3%	2.5%	8.2%	4.1%	30.3%	2.7%
Caroline	20.5%	9.4%	1.7%	4.1%	9.1%	51.3%	3.8%
Carroll	31.8%	20.5%	2.5%	5.3%	5.6%	31.6%	2.8%
Cecil	29.3%	14.2%	1.9%	6.4%	7.1%	38.1%	3.0%
Charles	29.0%	14.3%	3.2%	12.0%	6.5%	31.5%	3.5%
Dorchester	27.3%	8.5%	2.4%	5.9%	10.3%	41.9%	3.8%
Frederick	26.4%	17.9%	2.8%	14.8%	4.7%	30.6%	2.7%
Garrett	37.2%	8.0%	5.1%	8.6%	10.1%	26.1%	4.8%
Harford	29.1%	18.5%	2.4%	6.3%	6.6%	29.9%	7.2%
Howard	31.6%	22.5%	5.6%	8.4%	4.9%	22.1%	4.7%
Kent	41.4%	15.2%	2.3%	4.6%	10.0%	24.2%	2.3%
Montgomery	26.3%	23.1%	9.3%	13.7%	6.0%	17.6%	3.9%
Prince George's	25.0%	12.7%	6.0%	12.9%	7.7%	31.3%	4.5%
Queen Anne's	33.0%	19.8%	3.3%	7.6%	8.2%	23.3%	4.7%
St. Mary's	25.5%	19.4%	3.7%	10.1%	6.2%	31.9%	3.2%
Somerset	19.6%	8.1%	0.7%	7.4%	11.6%	49.8%	2.8%
Talbot	28.6%	20.2%	8.5%	9.2%	8.0%	20.7%	4.7%
Washington	23.9%	12.8%	1.9%	8.1%	7.7%	42.2%	3.4%
Wicomico	18.0%	12.1%	1.4%	9.9%	9.8%	45.7%	3.1%
Worcester	49.3%	5.1%	10.2%	11.9%	6.3%	15.4%	1.8%
Statewide	26.7%	17.0%	5.6%	11.7%	7.3%	27.7%	3.9%

Source: 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; license and permit fees; fines and forfeitures; and miscellaneous revenue. Local own-source revenues for county governments totaled \$17.3 billion in fiscal 2013, exclusive of debt proceeds.

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, nearly 70% 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 38.5% of its revenue from local sources and 49.8% from the State. In comparison, Montgomery County, one of the most affluent counties in the State, receives 76.0% of its revenue from local sources and 17.6% from the State.

The reliance on local own-source revenues (in percentage terms) has increased in recent years for county governments. Statewide, local own-source revenues accounted for 64.1% of county revenues in fiscal 2003, and 64.5% in fiscal 2013.

Over the last 10 years, from fiscal 2003 through 2013, local own-source revenues for counties increased at an average annual rate of 4.5%, which is slightly above the 4.4% rate of growth for State aid. Statewide, property tax revenues increased at an average annual rate of 5.2%, while income tax revenues increased at an average annual rate of 4.7%.

Property Taxes

The property tax is the primary local revenue source for county governments, accounting for 26.7% of total local revenues in fiscal 2013, excluding debt proceeds. The reliance on property tax revenues ranged from 16.4% in Allegany County to 49.3% 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 State's highest per capita assessable base in fiscal 2014 at \$287,689, which was 255% of the statewide average. Somerset County had the third lowest per capita assessable base at \$56,504, or 50% of the statewide average. Due to its larger tax base, Worcester County is able to collect over five times more revenue per capita than neighboring Somerset County, even though Somerset County has a higher property tax rate.

Income Taxes

The income tax is the third largest revenue source for county governments, accounting for 17.0% of total local revenues in fiscal 2013, excluding debt proceeds. The reliance on income tax revenues ranged from 5.1% in Worcester County to 23.1% 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 \$24,933 in tax year 2012. Montgomery County had the largest per capita net taxable income at \$39,543, followed by Howard County at \$37,185 and Talbot County at \$29,615. Somerset County had the lowest at \$7,779.

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 2003 through 2013, these taxes remained relatively constant as a share of county revenues, accounting for 6.2% of county revenues in fiscal 2003 and 5.6% in fiscal 2013. From fiscal 2003 to 2013, other local taxes increased at an average annual rate of 3.5% compared to 4.5% 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 11.3% of county revenue in fiscal 2003 and 11.7% in fiscal 2013. Sewer and water charges account for most of the service charges with community college tuition accounting for approximately 13% of the service charges. From fiscal 2003 to 2013, service charges increased at an average annual rate of 4.9%.

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 3.9% of county revenues. In fiscal 2003 through 2013, these revenue sources increased at an average annual rate of 0.8%.

State Aid

State aid is the largest revenue source for a majority of county governments in Maryland. However, in nine counties (Anne Arundel, Baltimore, Calvert, Carroll, Garrett, Kent, 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 recent growth in State aid is comparable with the recent growth of most other local revenue sources. In fiscal 2003 to 2013, State aid to county governments increased at an average annual rate of 4.4% compared to 4.5% for local own-source revenues.

State aid includes direct assistance to county governments, local school systems, libraries, community colleges, and local health departments. In fiscal 2013, local school systems received about 88% of total State aid. County and municipal governments received 7%, with most of the funds targeted for transportation, public safety, and park land acquisition and development. Community colleges, libraries, and local health departments accounted for the remaining 5%. Nearly 70% 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 7.3% of county revenues in fiscal 2013. The reliance on federal grants ranged from 4.1% in Calvert County to 11.8% in Baltimore City. 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 Revenues in Maryland

Municipalities in Maryland, excluding Baltimore City, collected \$1.4 billion in revenues in fiscal 2013. From fiscal 2003 to 2013, municipal revenues increased at an average annual rate of 5.1%. Exhibit 6.5 illustrates the sources of revenues for municipal

governments and provides a comparison of municipal revenues for fiscal 2003 and 2013. Exhibit 6.6 shows the sources of revenues for municipalities in each county for fiscal 2013.

Exhibit 6.5
Sources of Revenue – Municipalities
Selected Fiscal Years
(\$ in Millions)

	FY 2003		FY 2013	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Property Taxes	\$243.2	30.4%	\$499.8	37.0%
Income Taxes	64.0	8.0%	103.7	7.7%
Other Local Taxes	14.1	1.8%	16.3	1.2%
Service Charges	264.4	33.1%	445.3	33.0%
Other	76.2	9.5%	137.0	10.1%
State Aid	79.8	10.0%	59.9	4.4%
Federal Grants	21.6	2.7%	32.8	2.4%
County Grants	36.0	4.5%	55.7	4.1%
<i>Subtotal</i>	<i>\$799.3</i>	<i>100.0%</i>	<i>\$1,350.5</i>	<i>100.0%</i>
Debt Proceeds	51.4		42.5	
Total	\$850.7		\$1,393.0	

Source: Department of Legislative Services

Property Taxes

Property taxes are the largest revenue source for most municipalities, accounting for 37.0% of total revenues. The dependence on property taxes ranges from 12.1% for the municipality in St. Mary's County to 57.9% for municipalities in Prince George's County. For municipalities in 11 counties (Allegany, Carroll, Cecil, Charles, Dorchester, Garrett, Kent, St. Mary's, Talbot, Washington, and Worcester), service charges generate a larger share of municipal revenue than the property tax.

Income Taxes

Income taxes are the third largest revenue source for municipalities, accounting for 7.7% of total revenues. The reliance on income taxes ranges from 1.0% for municipalities in Worcester County to 17.7% for municipalities in Montgomery County.

Exhibit 6.6
Municipal Revenues by Source
Fiscal 2013

County	Property Taxes	Income Taxes	Other Taxes	Service Charges	Federal Grants	State Aid	County Sources	Other
Allegany	24.8%	4.7%	0.6%	50.0%	7.0%	8.6%	0.6%	3.6%
Anne Arundel	44.1%	6.0%	1.5%	33.3%	2.4%	3.5%	2.2%	6.9%
Calvert	36.1%	7.8%	8.0%	34.8%	0.6%	5.1%	3.3%	4.2%
Caroline	37.1%	3.7%	0.5%	32.4%	6.4%	13.9%	0.2%	5.9%
Carroll	31.4%	10.0%	0.5%	36.6%	3.4%	5.9%	5.5%	6.6%
Cecil	33.6%	5.6%	0.2%	42.3%	0.8%	6.4%	5.8%	5.3%
Charles	27.8%	7.8%	0.0%	39.8%	0.6%	15.7%	0.1%	8.2%
Dorchester	37.6%	3.0%	0.3%	37.8%	2.0%	11.3%	3.1%	5.0%
Frederick	37.1%	6.7%	0.5%	32.8%	1.3%	5.2%	2.4%	14.1%
Garrett	16.6%	3.5%	0.7%	21.6%	34.6%	16.4%	2.4%	4.1%
Harford	42.9%	7.1%	0.4%	31.2%	0.5%	6.5%	6.2%	5.2%
Kent	31.0%	6.4%	0.9%	32.0%	0.8%	2.9%	2.4%	23.6%
Montgomery	36.0%	17.7%	2.2%	19.5%	1.1%	1.9%	5.4%	16.2%
Prince George's	57.9%	11.8%	0.9%	7.4%	2.3%	3.2%	2.6%	14.1%
Queen Anne's	32.8%	5.7%	0.0%	28.9%	0.6%	6.4%	2.7%	23.0%
St. Mary's	12.1%	9.2%	0.3%	45.7%	0.0%	0.6%	1.5%	30.6%
Somerset	39.7%	2.1%	0.7%	21.7%	0.2%	22.5%	2.6%	10.5%
Talbot	18.8%	2.4%	0.1%	70.0%	0.6%	0.9%	1.0%	6.1%
Washington	24.3%	3.1%	2.9%	56.1%	1.7%	2.6%	0.4%	9.0%
Wicomico	40.7%	3.3%	1.6%	37.3%	2.0%	3.8%	1.5%	9.9%
Worcester	34.9%	1.0%	1.1%	35.4%	4.7%	4.0%	14.2%	4.8%
Statewide	37.0%	7.7%	1.2%	33.0%	2.4%	4.4%	4.1%	10.1%

Source: Department of Legislative Services

Service Charges

Service charges are the second largest revenue source for most municipalities, accounting for 33.0% of total municipal revenues. 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 7.4% for municipalities in Prince George's County to 70% for municipalities in Talbot County. The lower reliance on service charges in Prince George's County is due to water and sewer services being provided by the Washington Suburban Sanitary Commission, a bi-county agency serving Montgomery and Prince George's counties.

State Aid

State aid is the fourth largest revenue source for municipalities, accounting for 4.4% of total municipal revenue. The reliance on State aid varies across the State, ranging from less than 1.0% of total revenues for municipalities in St. Mary's and Talbot counties to 22.5% for municipalities in Somerset County, where State aid is the second largest revenue source for municipalities behind property taxes.

County Grants

County grants accounted for 4.1% of total municipal revenues. The percentage of county funding ranged from less than 1.0% in Allegany, Caroline, Charles, and Washington counties to 14.2% 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 municipalities for governmental services or programs that municipalities provide in lieu of similar county services or programs.

Comparison with Surrounding States

Like the State, Maryland local governments rely more on tax revenues than the national average. Nearly half of local government revenue in the State comes from tax sources, compared to the national average of about 36%. The county income tax sets Maryland apart from other states. Maryland local governments rank first nationally in their reliance on the personal income tax as a revenue source. Local governments in Maryland are above the national average in their reliance on property taxes (ranked fifteenth) and below the national average in their reliance on sales taxes (ranked thirty-third). Exhibits 6.7 and 6.8 show Maryland local government reliance on various revenue sources compared to surrounding states.

Exhibit 6.7
Maryland Local Revenues
Comparison to Selected Jurisdictions
2010-2011 Revenue by Type as a Percent of Total Revenues

	Income Tax	Property Tax	Sales & Selective Taxes¹	Other Taxes²	Charges & Utilities³	Misc.⁴	Federal Aid	State Aid	Total Revenues
Delaware									
Percent	1.7%	21.4%	0.4%	2.6%	25.6%	4.1%	2.3%	41.9%	100.0%
Rank	8	36	46	13	22	37	50	4	
District of Columbia									
Percent	11.2%	15.0%	12.0%	7.6%	13.7%	5.6%	35.0%	0.0%	100.0%
Rank	2	49	3	1	47	16	1	na	
Maryland									
Percent	14.9%	28.7%	2.7%	2.7%	14.4%	4.4%	5.5%	26.8%	100.0%
Rank	1	15	33	11	46	33	13	35	
New Jersey									
Percent	0.0%	55.0%	0.3%	0.7%	13.1%	4.1%	2.4%	24.5%	100.0%
Rank	na	2	47	39	48	38	49	44	
North Carolina									
Percent	0.0%	20.2%	5.5%	0.8%	32.7%	6.5%	5.3%	29.0%	100.0%
Rank	na	40	26	32	7	10	16	29	
Pennsylvania									
Percent	6.7%	27.0%	1.9%	2.6%	17.0%	4.7%	5.7%	34.5%	100.0%
Rank	5	21	36	12	41	28	10	16	
Virginia									
Percent	0.0%	32.3%	7.0%	3.7%	17.8%	4.5%	4.4%	30.3%	100.0%
Rank	na	11	19	6	38	32	27	25	
West Virginia									
Percent	0.0%	26.2%	2.3%	4.0%	20.3%	4.3%	5.1%	37.7%	100.0%
Rank	na	22	34	4	33	34	18	6	
U.S. Average	1.6%	26.9%	5.8%	1.9%	24.0%	5.1%	4.5%	30.2%	100.0%

Note: For the rankings, 1 indicates the highest. Rankings are out of 51 except for the personal income tax (out of 14) and sales taxes (out of 49). The District of Columbia is classified as a local government in the Census data. If the rank is “na,” the state does not have that tax.

¹ Includes the general sales tax along with selective taxes such as excise taxes on alcohol and tobacco products, motor fuel taxes, titling taxes, admissions & amusement taxes, insurance premiums taxes, public utility gross receipts taxes and others.

² Includes license fees plus death & gift taxes, documentary & stock transfer taxes, severance taxes and other taxes.

³ Charges include higher education tuition, fees and auxiliary revenues, public hospital revenues, sewer and trash collection fees, highway tolls and other user charges & fees. Utilities includes the gross receipts of publicly-owned utilities (water, gas, electric and transit).

⁴ Interest earnings, net lottery revenues, liquor store revenues, rents, royalties, special assessments, sale of property & other.

Source: *State & Local Government Finances*, U.S. Census Bureau (July 2013)

Exhibit 6.8
Local Share of State and Local Revenues
Comparison to Selected Jurisdictions
2010-2011 Local Revenue by Type as a Percent of State and Local Revenues

	Income Tax	Property Tax	Sales & Selective Taxes ¹	Other Taxes ²	Total Taxes	Charges & Utilities ³	Misc. ⁴	Federal Aid	Total Revenues
Delaware									
Percent	4.2%	100.0%	2.5%	4.8%	19.9%	40.9%	9.1%	3.8%	33.4%
Rank	9	1	39	42	48	46	49	50	47
Maryland									
Percent	37.3%	90.6%	9.6%	27.1%	44.8%	53.0%	35.2%	11.9%	50.9%
Rank	1	37	32	12	15	34	28	12	31
New Jersey									
Percent	0.0%	100.0%	1.2%	6.3%	48.9%	47.3%	32.7%	7.2%	53.3%
Rank	na	18	47	39	7	40	32	35	25
North Carolina									
Percent	0.0%	100.0%	19.1%	11.3%	33.6%	74.9%	58.2%	12.7%	56.4%
Rank	na	1	22	25	36	9	2	11	14
Pennsylvania									
Percent	29.4%	99.7%	6.5%	21.7%	42.0%	54.8%	37.9%	12.9%	55.3%
Rank	3	23	33	15	22	31	22	10	18
Virginia									
Percent	0.0%	99.6%	29.1%	39.2%	45.9%	44.2%	30.0%	13.2%	54.2%
Rank	na	25	9	7	13	43	35	9	22
West Virginia									
Percent	0.0%	99.6%	4.7%	17.2%	25.3%	42.6%	15.6%	5.6%	33.7%
Rank	na	26	36	19	45	44	45	45	46
U.S. Average	8.6%	96.8%	20.0%	19.9%	43.0%	66.1%	40.3%	10.7%	57.4%

Note: For the rankings, 1 indicates the highest. Rankings are out of 50 except for the personal income tax (out of 13) and sales taxes (out of 48). If the rank is "na," the state does not have that tax.

¹ Includes the general sales tax along with selective taxes such as excise taxes on alcohol and tobacco products, motor fuel taxes, titling taxes, admissions & amusement taxes, insurance premiums taxes, public utility gross receipts taxes and others.

² Includes license fees plus death & gift taxes, documentary & stock transfer taxes, severance taxes and other taxes.

³ Charges include higher education tuition, fees and auxiliary revenues, public hospital revenues, sewer and trash collection fees, highway tolls and other user charges & fees. Utilities includes the gross receipts of publicly owned utilities (water, gas, electric and transit).

⁴ Interest earnings, net lottery revenues, liquor store revenues, rents, royalties, special assessments, sale of property & other.

Source: *State & Local Government Finances*, U.S. Census Bureau (July 2013)

Chapter 7. Property Tax

The property tax is one of the three major revenue sources for county and municipal governments in Maryland. In fiscal 2013, local property tax collections totaled \$7.6 billion, representing 26.7% of county revenues and 37.0% of municipal revenues. In terms of local own-source revenues, the property tax is the largest revenue source for both county and municipal governments, accounting for 41.4% of county own-source revenues in fiscal 2013 and 41.8% of municipal own-source revenues.

From fiscal 2003 to 2013, property tax collections at the county level increased at an average annual rate of 5.2%, slightly higher than the overall growth rate in county revenues. For municipalities, property tax collections increased at an average annual rate of 7.5%, much higher than the overall growth in municipal revenues. However, due to recent declines in the State's housing market, local governments should begin to experience lower growth in property tax collections. As shown in Exhibit 7.1, the growth in county assessable base has slowed down considerably in recent years, thus impacting county and municipal revenues in fiscal 2014 and 2015. The decline in home prices and the corresponding effect on the county assessable base has been partly mitigated by the State's triennial assessment cycle and the homestead tax credit program. Due to these factors, local property tax revenues are projected to remain relatively constant for the near future. Exhibit 7.2 shows the amount of property tax revenues collected in each county for fiscal 2013. Exhibit 7.3 shows the growth in county assessable base since fiscal 2007.

Exhibit 7.1 County Assessable Base Growth

<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
-6.8%	-4.4%	-1.3%	0.5%	1.2%

Source: State Department of Assessments and Taxation

Exhibit 7.2
Property Tax Revenues
Fiscal 2013

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$41,290,571	\$13,978,222	\$55,268,793	\$747	23
Anne Arundel	622,366,560	40,247,275	662,613,835	1,204	16
Baltimore City	754,742,055	0	754,742,055	1,215	15
Baltimore	857,516,435	0	857,516,435	1,049	18
Calvert	141,281,902	4,402,075	145,683,977	1,625	5
Caroline	24,078,947	5,732,068	29,811,015	911	21
Carroll	197,727,477	17,677,607	215,405,084	1,288	10
Cecil	103,712,249	13,456,048	117,168,297	1,152	17
Charles	201,665,361	4,857,276	206,522,637	1,371	8
Dorchester	31,930,405	9,189,760	41,120,165	1,263	12
Frederick	259,514,346	56,617,211	316,131,557	1,320	9
Garrett	52,104,985	1,796,183	53,901,168	1,805	2
Harford	287,888,796	26,250,099	314,138,895	1,264	11
Howard	524,801,215	0	524,801,215	1,753	3
Kent	30,174,622	3,402,700	33,577,322	1,663	4
Montgomery	1,498,743,391	76,521,843	1,575,265,234	1,568	6
Prince George's	989,554,508	104,356,196	1,093,910,704	1,241	14
Queen Anne's	65,554,079	2,770,964	68,325,043	1,406	7
St. Mary's	100,806,373	530,031	101,336,404	930	20
Somerset	14,822,293	3,432,669	18,254,962	695	24
Talbot	32,741,855	14,950,170	47,692,025	1,252	13
Washington	122,450,671	25,907,513	148,358,184	994	19
Wicomico	60,969,775	25,024,362	85,994,137	854	22
Worcester	121,570,804	48,736,800	170,307,604	3,302	1
Total	\$7,138,009,675	\$499,837,072	\$7,637,846,747	\$1,298	

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

Exhibit 7.3
Growth in County Assessable Base – Real and Personal Property
Fiscal 2007-2016

County	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015 E	FY 2016 E
Allegany	4.2%	9.3%	6.7%	11.9%	5.1%	0.1%	-1.3%	-1.3%	-0.9%	-1.9%
Anne Arundel	15.7%	18.0%	14.2%	6.0%	-2.1%	-6.4%	-4.1%	0.1%	1.3%	1.8%
Baltimore City	8.6%	14.9%	15.6%	13.8%	2.5%	-4.2%	-6.4%	-1.5%	0.4%	-4.2%
Baltimore	12.4%	15.7%	13.3%	8.9%	0.5%	-5.7%	-4.2%	-2.8%	-0.5%	-0.1%
Calvert	15.9%	19.8%	10.7%	8.0%	1.9%	-6.2%	-5.8%	-2.2%	-0.6%	0.6%
Caroline	16.9%	18.1%	16.4%	11.5%	-0.5%	-7.3%	-4.7%	-5.7%	-2.3%	-1.3%
Carroll	15.0%	16.1%	13.3%	8.7%	-5.3%	-5.9%	-4.2%	-1.4%	-0.6%	1.1%
Cecil	14.2%	16.1%	13.7%	6.8%	-1.1%	-4.6%	-5.6%	-3.1%	-0.3%	0.4%
Charles	17.7%	20.4%	16.0%	7.0%	-5.5%	-6.8%	-4.7%	-1.9%	-0.5%	2.6%
Dorchester	11.5%	17.8%	14.4%	9.1%	0.5%	-8.9%	-3.4%	-4.4%	-2.3%	-2.5%
Frederick	17.5%	19.2%	13.4%	6.1%	-6.9%	-8.8%	-4.6%	-0.6%	0.6%	0.4%
Garrett	17.3%	14.6%	12.7%	7.7%	6.1%	0.0%	-2.9%	-0.3%	-7.7%	0.2%
Harford	14.9%	15.3%	13.9%	8.8%	0.4%	-3.9%	-2.4%	-0.8%	-2.4%	1.9%
Howard	17.4%	16.1%	13.3%	5.0%	-4.0%	-6.4%	-2.2%	0.6%	1.7%	0.3%
Kent	14.2%	16.3%	15.0%	10.3%	2.0%	-3.9%	-3.1%	-1.5%	-2.2%	0.2%
Montgomery	17.8%	15.5%	11.0%	0.4%	-4.5%	-6.4%	-2.7%	0.9%	2.5%	3.2%
Prince George's	15.1%	18.7%	19.0%	11.6%	0.2%	-13.1%	-7.9%	-3.9%	0.8%	0.9%
Queen Anne's	18.2%	19.2%	14.4%	7.5%	-3.3%	-2.3%	-6.0%	-4.1%	-1.3%	3.0%
St. Mary's	19.6%	19.1%	18.4%	11.0%	2.4%	-4.7%	-3.0%	-1.1%	-0.8%	-0.6%
Somerset	23.0%	18.5%	16.7%	7.7%	0.7%	-4.7%	-12.1%	0.0%	-3.8%	4.7%
Talbot	14.7%	17.5%	15.5%	10.8%	-0.1%	-4.0%	-4.2%	-5.1%	-4.0%	-5.2%
Washington	14.4%	18.1%	15.3%	8.1%	-4.4%	-6.7%	-3.3%	-3.1%	-1.3%	0.6%
Wicomico	12.2%	13.7%	12.9%	7.8%	-1.0%	-7.5%	-6.3%	-5.4%	-2.4%	1.8%
Worcester	23.0%	19.7%	17.8%	-5.5%	-5.8%	-3.6%	-10.0%	-5.9%	-3.5%	6.3%
Statewide	15.7%	16.8%	13.9%	6.1%	-2.1%	-6.8%	-4.4%	-1.3%	0.5%	1.2%

Source: State Department of Assessments and Taxation

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 7.4 shows each county's total assessable property base for fiscal 2014, as well as the assessable base on a per capita basis and assessable base growth from fiscal 2013 to 2014. Exhibit 7.5 provides the real and personal property assessable base for fiscal 2013 and 2014 and the changes between the two years.

Tax Administration

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 "General Assembly 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".

Exhibit 7.4
County Assessable Base Measures for Fiscal 2014

County	Population July 1, 2012	Assessable Base (\$ in Thousands)	Per Capita Amount	Ranking	Growth from Prior Year	Ranking
Allegany	74,012	\$3,910,750	\$52,839	24	-1.3%	9
Anne Arundel	550,488	76,405,438	138,796	8	0.1%	3
Baltimore City	621,342	34,582,451	55,658	23	-1.5%	12
Baltimore	817,455	78,477,913	96,003	15	-2.8%	15
Calvert	89,628	12,277,912	136,987	9	-2.2%	14
Caroline	32,718	2,651,005	81,026	20	-5.7%	23
Carroll	167,217	18,588,705	111,165	10	-1.4%	10
Cecil	101,696	9,657,230	94,962	16	-3.1%	16
Charles	150,592	16,383,332	108,793	12	-1.9%	13
Dorchester	32,551	2,981,840	91,605	17	-4.4%	20
Frederick	239,582	25,734,580	107,414	13	-0.6%	6
Garrett	29,854	4,822,283	161,529	4	-0.3%	5
Harford	248,622	26,605,582	107,012	14	-0.8%	7
Howard	299,430	44,280,928	147,884	7	0.6%	2
Kent	20,191	3,013,117	149,231	6	-1.5%	11
Montgomery	1,004,709	164,696,351	163,924	3	0.9%	1
Prince George's	881,138	76,137,876	86,409	18	-3.9%	18
Queen Anne's	48,595	7,699,153	158,435	5	-4.1%	19
St. Mary's	108,987	12,060,567	110,661	11	-1.1%	8
Somerset	26,253	1,483,405	56,504	22	0.0%	4
Talbot	38,098	8,846,903	232,214	2	-5.1%	21
Washington	149,180	12,420,699	83,260	19	-3.1%	17
Wicomico	100,647	6,310,794	62,702	21	-5.4%	22
Worcester	51,578	14,838,405	287,689	1	-5.9%	24
Statewide	5,884,563	\$664,867,219	\$112,985		-1.3%	

Source: State Department of Assessments and Taxation; Department of Legislative Services

Exhibit 7.5
County Assessable Base for Fiscal 2014 and Percent Change from Fiscal 2013
 (\$ in Thousands)

County	Real Property	Percent Change	Personal Property	Percent Change	Total Property	Percent Change
Allegany	\$3,579,448	-1.2%	\$331,302	-1.9%	\$3,910,750	-1.3%
Anne Arundel	73,865,355	0.2%	2,540,083	-1.8%	76,405,438	0.1%
Baltimore City	32,548,629	-1.8%	2,033,822	2.2%	34,582,451	-1.5%
Baltimore	75,469,078	-2.9%	3,008,835	-0.7%	78,477,913	-2.8%
Calvert	11,334,235	-2.9%	943,677	7.8%	12,277,912	-2.2%
Caroline	2,550,357	-5.7%	100,648	-4.1%	2,651,005	-5.7%
Carroll	17,999,418	-1.5%	589,287	-0.6%	18,588,705	-1.4%
Cecil	9,280,440	-3.2%	376,790	-1.0%	9,657,230	-3.1%
Charles	15,414,254	-2.5%	969,078	9.6%	16,383,332	-1.9%
Dorchester	2,861,600	-4.7%	120,240	2.0%	2,981,840	-4.4%
Frederick	25,433,656	-0.6%	300,924	1.4%	25,734,580	-0.6%
Garrett	4,621,273	-0.3%	201,010	1.5%	4,822,283	-0.3%
Harford	25,569,637	-1.0%	1,035,945	3.8%	26,605,582	-0.8%
Howard	42,755,118	0.7%	1,525,810	-1.0%	44,280,928	0.6%
Kent	2,976,520	-1.5%	36,597	-1.6%	3,013,117	-1.5%
Montgomery	161,008,847	1.0%	3,687,504	-3.1%	164,696,351	0.9%
Prince George's	73,074,771	-4.2%	3,063,105	3.9%	76,137,876	-3.9%
Queen Anne's	7,636,884	-4.2%	62,269	-2.1%	7,699,153	-4.1%
St. Mary's	11,806,248	-1.1%	254,319	0.2%	12,060,567	-1.1%
Somerset	1,417,905	0.6%	65,500	-10.2%	1,483,405	0.0%
Talbot	8,789,477	-5.1%	57,426	-4.9%	8,846,903	-5.1%
Washington	11,906,479	-3.2%	514,220	-2.2%	12,420,699	-3.1%
Wicomico	5,832,822	-5.5%	477,972	-3.8%	6,310,794	-5.4%
Worcester	14,526,197	-6.0%	312,208	-2.0%	14,838,405	-5.9%
Statewide	\$642,258,648	-1.4%	\$22,608,571	0.4%	\$664,867,219	-1.3%

Source: State Department of Assessments and Taxation

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 *Volume III – Maryland’s Revenue Structure* 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 in most counties. However, Frederick, Garrett, Kent, Queen Anne’s, and Talbot counties do not tax personal property. 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 municipalities 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 municipality 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.

Prior to July 1, 2013, State law required the county personal property tax rate to be set at 2.5 times the county real property tax rate. Beginning July 1, 2013, the county personal property tax rate was decoupled from the county real property tax rate by authorizing county governments to set a personal property tax rate at no more than 2.5 times the county real property tax rate. Exhibit 7.6 shows county property tax rates, including appropriate countywide special tax rates, for fiscal 2010 through 2015. Exhibit 7.7 shows the special county property tax rates in Charles, Howard, Montgomery, and Prince George's counties in fiscal 2015.

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 2015 estimates, a one-cent increase in the real property tax rate in Montgomery County generates an additional \$16.5 million in revenue, whereas it generates only \$7.1 million in Prince George's County, even though there is only a small 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.

Exhibit 7.6
County Real Property Tax Rates in Fiscal 2010-2015
(Per \$100 of Assessed Value)

County	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Allegany	\$0.983	\$0.983	\$0.982	\$0.981	\$0.980	\$0.979
Anne Arundel	0.876	0.880	0.910	0.941	0.950	0.943
Baltimore City	2.268	2.268	2.268	2.268	2.248	2.248
Baltimore	1.100	1.100	1.100	1.100	1.100	1.100
Calvert	0.892	0.892	0.892	0.892	0.892	0.892
Caroline	0.870	0.870	0.870	0.890	0.940	0.960
Carroll	1.048	1.048	1.028	1.018	1.018	1.018
Cecil	0.940	0.915	0.940	0.991	0.991	0.991
Charles	1.026	1.026	1.067	1.121	1.205	1.205
Dorchester	0.896	0.896	0.976	0.976	0.976	0.976
Frederick	1.064	1.064	1.064	1.064	1.064	1.060
Garrett	0.990	0.990	0.990	0.990	0.990	0.990
Harford	1.064	1.042	1.042	1.042	1.042	1.042
Howard	1.150	1.150	1.150	1.190	1.190	1.190
Kent	0.972	1.022	1.022	1.022	1.022	1.022
Montgomery	0.916	0.915	0.959	1.003	1.021	1.008
Prince George's	1.319	1.319	1.319	1.319	1.319	1.319
Queen Anne's	0.770	0.767	0.847	0.847	0.847	0.847
St. Mary's	0.857	0.857	0.857	0.857	0.857	0.857
Somerset	0.900	0.884	0.884	0.884	0.915	0.915
Talbot	0.432	0.432	0.448	0.491	0.512	0.527
Washington	0.948	0.948	0.948	0.948	0.948	0.948
Wicomico	0.759	0.759	0.769	0.840	0.909	0.952
Worcester	0.700	0.700	0.700	0.770	0.770	0.770

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 7.7
Special County Property Tax Rates
Fiscal 2015

	<u>Real Property Tax Rate</u>	<u>Percent of Total</u>
Charles County		
General Tax	\$1.141	94.7%
Fire District Tax	0.064	5.3%
Total Rate	\$1.205	100.0%
Howard County		
General Tax	\$1.0140	85.2%
Fire District Tax	0.176	14.8%
Total Rate	\$1.1900	100.0%
Montgomery County		
General Tax	\$0.732	72.6%
Transit Tax	0.040	4.0%
Fire District Tax	0.136	13.5%
M-NCPPC	0.074	7.3%
Recreation Tax	0.023	2.3%
Storm Drainage Tax	0.003	0.3%
Total Rate	\$1.008	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

As the demand for and cost of 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 level and 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 municipalities 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 2013, 18 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 municipality. A tax rebate is a direct grant to a municipality for providing services that are similar to county services. In fiscal 2013, municipal tax differentials and rebates totaled approximately \$103.6 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 municipalities to discuss the property tax rate to be set for assessments of property in the municipality. If it is demonstrated that a municipality 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 municipality at a rate that is less than the general county property tax rate or it must provide a tax rebate to the municipal government.

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 the governing bodies of municipalities to discuss the property tax rate to be set for assessments of property in the municipality. If it is demonstrated that the municipality performs services or programs in lieu of similar county services, the county may establish a county

property tax rate for property in the municipality that is lower than the general county property tax rate or it may provide a tax rebate to the municipal government.

Property Tax Limitation Measures

Five charter counties (Anne Arundel, Montgomery, Prince George's, Talbot, and Wicomico) have amended their charters to limit property tax rates or revenues. In Anne Arundel County, the total annual increase in property tax revenues is limited to the lesser of 4.5% or the increase in the Consumer Price Index. In Montgomery County, the growth in property tax revenues is limited to the increase in the Consumer Price Index; however, this limitation does not apply to new construction. In addition, the limitation may be overridden by a unanimous vote of all 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 the tax cap. In Talbot and Wicomico counties, the total annual increase in property tax revenues is limited to the lesser of 2% or the increase in the Consumer Price Index.

The counties may exceed the charter limitations on local property taxes for the purpose of funding the approved budget of the local board of education. If a local property tax rate is set above the charter limit, the county governing body may not reduce funding provided to the local board of education from any other local source and must appropriate to the local board of education all of the revenues generated from any increase beyond the existing charter limit. Any use of this authority must be reported annually to the Governor and the General Assembly. This authority was adopted at the 2012 session in order to ensure that counties have the fiscal ability to meet new maintenance of effort requirements for funding education. In fiscal 2013, Talbot County became the first jurisdiction to exercise this new authority by establishing a 2.6 cent supplemental property tax rate for the local board of education. No jurisdiction exercised this authority in fiscal 2014 or 2015.

Some municipalities also have maximum property tax rates set forth in their charter. Approximately 20 of the 156 municipalities 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, and special tax district rates).

Constant Yield Tax Rate Provision

The "constant yield" is a concept that, as property values fluctuate, the tax rate would be adjusted so that the revenue derived from the property tax stays at a constant

level from year to year, thus assuring a local government 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 State Department of Assessments and Taxation notifies all counties and municipalities 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 municipality 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 municipality 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 municipality 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 property tax, unless exempted in full or in part by the municipality);
- manufacturing inventory (though subject to municipal property tax, unless exempted in full or in part by the municipality);
- commercial inventory (though subject to tax on up to 35% of assessment in Wicomico County and subject to municipal property tax, unless exempted in full or in part by the municipality);
- 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.

A more detailed discussion on property tax exemptions is provided in *Volume III – Maryland's Revenue Structure* of the Legislative Handbook Series.

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 municipalities. 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 losses. 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 *Volume III – Maryland's Revenue Structure* of the Legislative Handbook Series.

Homestead Tax Credit Program

The Homestead Tax Credit Program provides tax credits against State, county, and municipal 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% 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 2015, 21 of the 24 local jurisdictions had assessment caps below 10% as illustrated in Exhibit 7.8. In addition, 94 of the State's 156 municipalities had assessment caps below 10% for fiscal 2015.

The Homestead Tax Credit Program has provided significant local property tax relief in recent years. However, 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.

Exhibit 7.8
Homestead Assessment Caps for Maryland Counties

County	FY 2013	FY 2014	FY 2015
Allegany	7%	7%	7%
Anne Arundel	2%	2%	2%
Baltimore City	4%	4%	4%
Baltimore	4%	4%	4%
Calvert	10%	10%	10%
Caroline	5%	5%	5%
Carroll	5%	5%	5%
Cecil	8%	8%	8%
Charles	7%	7%	7%
Dorchester	5%	5%	5%
Frederick	5%	5%	5%
Garrett	5%	5%	5%
Harford	5%	5%	5%
Howard	5%	5%	5%
Kent	5%	5%	5%
Montgomery	10%	10%	10%
Prince George's	4%	2%	2%
Queen Anne's	5%	5%	5%
St. Mary's	5%	5%	5%
Somerset	10%	10%	10%
Talbot	0%	0%	0%
Washington	5%	5%	5%
Wicomico	5%	5%	5%
Worcester	3%	3%	3%

Source: State Department of Assessments and Taxation; Department of Legislative Services

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 municipalities.

Payment Dates

Property taxes for owner-occupied residential property and certain small business 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 and eligible small business owners 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 other 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.

Chapter 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. Today, the local income tax is the third largest revenue source for county and municipal governments, accounting for 17.0% of county revenues and 7.7% of municipal revenues. Maryland is one of the few states in the nation that allow local governments to impose a local 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 *Volume III – Maryland's Revenue Structure* of the Legislative Handbook Series.)

Tax Rate Setting Authority

Every county and Baltimore City levies a local income tax on residents. The tax is assessed as a percentage of the taxpayer's Maryland taxable income. Generally, each municipality shares in its county's income tax revenues by receiving the greater of 17.0% of the county income taxes paid by the municipality's residents, or 0.37% of the State taxable income of the municipality's residents. Local governments are authorized to set a local income tax rate of at least 1.0%, but not more than 3.2%. Currently, six jurisdictions (Baltimore City and Howard, Montgomery, Prince George's, Queen Anne's, and Wicomico counties) impose the maximum local income tax rate. Local income tax rates have remained relatively stable, with seven jurisdictions (Anne Arundel, Caroline, Carroll, Charles, Queen Anne's, Talbot, and Wicomico counties) changing the tax rate in the past five years. Exhibit 8.1 shows the local income tax rates for calendar 2011 through 2015.

Exhibit 8.1
Local Income Tax Rates
Calendar 2011-2015

County	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015
Allegany	3.05%	3.05%	3.05%	3.05%	3.05%
Anne Arundel	2.56%	2.49%	2.56%	2.56%	2.56%
Baltimore City	3.20%	3.20%	3.20%	3.20%	3.20%
Baltimore	2.83%	2.83%	2.83%	2.83%	2.83%
Calvert	2.80%	2.80%	2.80%	2.80%	2.80%
Caroline	2.63%	2.63%	2.63%	2.73%	2.73%
Carroll	3.05%	3.05%	3.05%	3.04%	3.03%
Cecil	2.80%	2.80%	2.80%	2.80%	2.80%
Charles	2.90%	2.90%	2.90%	3.03%	3.03%
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	3.20%	3.20%	3.20%	3.20%	3.20%
Kent	2.85%	2.85%	2.85%	2.85%	2.85%
Montgomery	3.20%	3.20%	3.20%	3.20%	3.20%
Prince George's	3.20%	3.20%	3.20%	3.20%	3.20%
Queen Anne's	2.85%	3.20%	3.20%	3.20%	3.20%
St. Mary's	3.00%	3.00%	3.00%	3.00%	3.00%
Somerset	3.15%	3.15%	3.15%	3.15%	3.15%
Talbot	2.25%	2.25%	2.40%	2.40%	2.40%
Washington	2.80%	2.80%	2.80%	2.80%	2.80%
Wicomico	3.10%	3.10%	3.20%	3.20%	3.20%
Worcester	1.25%	1.25%	1.25%	1.25%	1.25%

Source: Comptroller of the Treasury

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 municipality. 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, municipalities, 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 8.2 shows the income tax revenue collections for local governments in fiscal 2013.

Legal Reference

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

Exhibit 8.2
Local Income Tax Revenues
Fiscal 2013

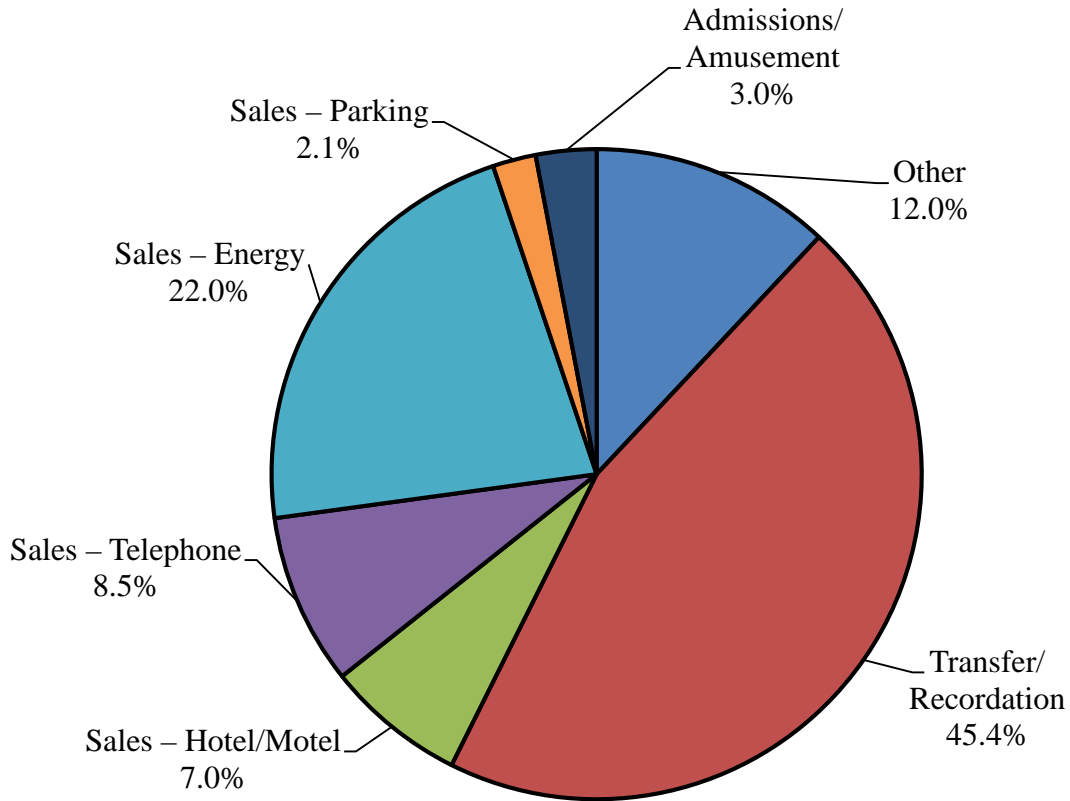
County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$24,249,252	\$2,660,989	\$26,910,241	\$364	20
Anne Arundel	407,582,398	5,487,795	413,070,193	750	8
Baltimore City	276,111,250	0	276,111,250	444	17
Baltimore	624,060,806	0	624,060,806	763	6
Calvert	64,127,088	952,160	65,079,248	726	9
Caroline	11,103,026	576,843	11,679,869	357	21
Carroll	127,581,729	5,651,639	133,233,368	797	4
Cecil	50,421,108	2,228,654	52,649,762	518	15
Charles	99,440,598	1,360,255	100,800,853	669	11
Dorchester	9,941,808	730,665	10,672,473	328	22
Frederick	176,068,392	10,192,506	186,260,898	777	5
Garrett	11,206,954	383,402	11,590,356	388	19
Harford	183,317,186	4,329,035	187,646,221	755	7
Howard	374,358,092	0	374,358,092	1,250	2
Kent	11,047,174	699,243	11,746,417	582	14
Montgomery	1,317,533,090	37,642,038	1,355,175,128	1,349	1
Prince George's	505,266,237	21,206,999	526,473,236	597	13
Queen Anne's	39,438,906	478,147	39,917,053	821	3
St. Mary's	76,746,270	403,443	77,149,713	708	10
Somerset	6,123,153	183,164	6,306,317	240	24
Talbot	23,140,754	1,887,619	25,028,373	657	12
Washington	65,763,209	3,260,260	69,023,469	463	16
Wicomico	41,027,904	2,005,513	43,033,417	428	18
Worcester	12,676,852	1,372,323	14,049,175	272	23
Total	\$4,538,333,236	\$103,692,692	\$4,642,025,928	\$789	

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

Chapter 9. Other Local Taxes

Other local taxes, which account for 5.6% of county revenues and 1.2% of municipal revenues, include transfer taxes, recordation taxes, hotel/motel taxes, sales taxes, and admissions/amusement taxes. As illustrated in Exhibit 9.1, transfer and recordation taxes generate a significant portion of the county revenues from these sources. Prior to the downturn in the real estate market, local transfer and recordation taxes accounted for an even higher share of other local taxes. Exhibit 9.2 shows local transfer and recordation tax collections from fiscal 2010 to 2015.

Exhibit 9.1
Other Local Taxes – County Revenues
Fiscal 2013



Source: Department of Legislative Services

Exhibit 9.2
Local Transfer and Recordation Tax Revenues
(\$ in Millions)

Fiscal	Transfer	Recordation	Total	% Change
2010	\$291.6	\$237.9	\$529.5	0.8%
2011	272.1	239.6	511.7	-3.4%
2012	286.8	266.2	553.0	8.1%
2013	326.8	367.9	694.7	25.6%
2014	348.5	353.2	701.8	1.0%
2015	350.0	374.6	724.6	3.3%

Source: Department of Legislative Services

Local Transfer Tax

Tax Base

A local 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. Transfer taxes are also imposed on the transfer of real property with a value of \$1.0 million or more when the transfer is achieved through the sale of a “controlling interest” in a specified corporation, partnership, limited liability company, limited liability partnership, or other form of unincorporated business. Controlling interest is defined as more than 80% of the total value of the stock or the interest in capital and profits.

Tax Rate Setting Authority

Sixteen counties and Baltimore City currently impose a local 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%. The tax rates imposed in charter and commission counties vary, with the rates being established by public local laws and local ordinances. Tax rates in effect for fiscal 2015 are shown in Exhibit 9.3, along with the tax rates and revenues collected in fiscal 2013. Local transfer tax rates remained constant from fiscal 2011 to 2015, with no jurisdiction changing the tax rate during this period.

Exhibit 9.3
Local Transfer Taxes

County	County Tax Rates		FY 2013	Per Capita	Per Capita
	FY 2013	FY 2015	Revenues	Revenues	Ranking
Allegany	0.50%	0.50%	\$300,696	\$4	17
Anne Arundel	1.00%	1.00%	38,996,647	71	5
Baltimore City	1.50%	1.50%	27,506,213	44	9
Baltimore	1.50%	1.50%	52,962,566	65	6
Calvert	0.00%	0.00%	0	0	20
Caroline	0.50%	0.50%	377,400	12	15
Carroll	0.00%	0.00%	63,462	0	18
Cecil	\$10/deed	\$10/deed	23,946	0	19
Charles	0.00%	0.00%	0	0	20
Dorchester	0.75%	0.75%	619,002	19	14
Frederick	0.00%	0.00%	0	0	20
Garrett	1.00%	1.00%	1,424,217	48	8
Harford	1.00%	1.00%	10,854,827	44	10
Howard	1.00%	1.00%	25,253,440	84	2
Kent	0.50%	0.50%	451,355	22	13
Montgomery	1.00%	1.00%	85,409,703	85	1
Prince George's	1.40%	1.40%	69,475,489	79	4
Queen Anne's	0.50%	0.50%	1,351,064	28	12
St. Mary's	1.00%	1.00%	4,268,826	39	11
Somerset	0.00%	0.00%	0	0	20
Talbot	1.00%	1.00%	3,024,512	79	3
Washington	0.50%	0.50%	1,484,247	10	16
Wicomico	0.00%	0.00%	0	0	20
Worcester	0.50%	0.50%	2,912,622	56	7
Total			\$326,760,234	\$56	

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

Source: Department of Legislative Services

Tax Exemptions

State law provides for the following exemptions to the local 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;
- transfers between certain domestic partners;
- supplemental instruments without new consideration or debt;
- previously recorded instruments;
- 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 exemptions in other counties 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 homebuyers. Certain rate limitations apply to the imposition of a local 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 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, Title 13, Subtitle 4

Recordation Tax

Tax Base

The recordation tax base is composed of the following: (1) instruments conveying title – the actual consideration paid; (2) articles of transfer – the actual consideration paid for the real property; and (3) mortgages, deeds of trust, and financing statements – the principal amount of the debt secured under the instrument. Recordation taxes are also imposed on the transfer of real property with a value of \$1.0 million or more when the

transfer is achieved through the sale of a “controlling interest” in a specified corporation, partnership, limited liability company, limited liability partnership, or other form of unincorporated business. Controlling interest is defined as more than 80% of the total value of the stock or the interest in capital and profits. Recordation taxes are generally imposed on an “indemnity mortgage” in the same manner as if the guarantor were primarily liable for the guaranteed loan, unless the recordation tax is paid on another instrument of writing that secures the payment of the guaranteed loan or the indemnity mortgage secures a guarantee of repayment of a loan for less than \$3.0 million. An indemnity mortgage includes any mortgage, deed of trust, or other security interest in real property that secures a guarantee of repayment of a loan for which the guarantor is not primarily liable. Legislation passed during the 2013 session specifies the manner in which indemnity mortgages are subject to recordation taxes.

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 2015 are presented in Exhibit 9.4, along with the tax rates and revenues collected in fiscal 2013. Local recordation tax rates remained fairly constant from fiscal 2011 to 2015, with only three counties increasing the tax rate during this period.

Exhibit 9.4
Recordation Tax Revenues

County	County Tax Rates		FY 2013 Revenues	Per Capita Revenues	Per Capita Ranking
	FY 2013	FY 2015			
Allegany	\$3.50	\$3.50	\$1,692,145	\$23	23
Anne Arundel	3.50	3.50	42,040,038	76	7
Baltimore City	5.00	5.00	32,329,642	52	14
Baltimore	2.50	2.50	30,578,527	37	19
Calvert	5.00	5.00	5,909,376	66	10
Caroline	5.00	5.00	1,301,909	40	18
Carroll	5.00	5.00	9,955,395	60	11
Cecil	4.10	4.10	5,535,807	54	12
Charles	5.00	5.00	11,104,089	74	8
Dorchester	5.00	5.00	1,434,291	44	16
Frederick	6.00	6.00	24,339,679	102	4
Garrett	3.50	3.50	2,386,470	80	6
Harford	3.30	3.30	10,699,395	43	17
Howard	2.50	2.50	21,837,593	73	9
Kent	3.30	3.30	962,237	48	15
Montgomery	3.45	3.45	104,597,908	104	3
Prince George's	2.75	2.75	30,641,413	35	21
Queen Anne's	4.95	4.95	4,614,108	95	5
St. Mary's	4.00	4.00	5,688,996	52	13
Somerset	3.30	3.30	441,941	17	24
Talbot	6.00	6.00	5,493,728	144	1
Washington	3.80	3.80	5,213,999	35	20
Wicomico	3.50	3.50	2,502,251	25	22
Worcester	3.30	3.30	6,648,659	129	2
Total			\$367,949,596	\$63	

Note: Tax rate based on an amount per \$500 of the consideration payable or principal amount of the debt secured.

Source: Department of Legislative Services

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;
- transfers between certain domestic partners;
- 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 homebuyers.

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 State 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, Title 12

Agricultural Land Transfer Tax

The agricultural land transfer tax is imposed in addition to State and local transfer taxes 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 the tax on instruments of writing filed with the State Department of Assessments and Taxation. Of the total collections, each county (except Montgomery) retains approximately one-third of the funds and transfers the balance to the Comptroller. Montgomery County retains two-thirds of its funds and transfers the balance to the Comptroller. The monies retained by each county are generally used as local matching funds under the State agricultural easement program and for other approved county agricultural preservation programs.

The counties must spend or encumber all agricultural transfer tax revenues within three years from the date of receipt or remit the unspent or unencumbered portion to the Comptroller for deposit into the Maryland Agricultural Land Preservation Fund. In 1990, the General Assembly created a program giving counties the ability to retain a larger share of the agricultural land transfer tax revenues if certain requirements were met. A qualifying county can receive 75% of the agricultural transfer tax revenues collected by that county (rather than 33%) and a portion of any surplus funds held by the Maryland Agricultural Land Preservation Foundation at the end of the fiscal year. In order to become certified to receive the additional funds, counties must develop effective farmland preservation programs that are approved by the Maryland Agricultural Land Preservation Foundation and the Maryland Department of Planning. Certification lasts for two years, and for a county to be recertified, the success of its program must be demonstrated.

There are currently 15 counties that have been certified as having an effective land preservation program: Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Cecil, Frederick, Harford, Kent, Montgomery, Queen Anne's, St. Mary's, Talbot, Washington, and Worcester.

For further discussion of the agricultural land transfer tax, see *Volume III – Maryland's Revenue Structure* 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, municipalities, and special taxing districts 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. For example, Worcester County, a code county, imposes a 0.5% food and beverage tax within the Town of Ocean City. 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.

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 9.5 through 9.7 relate to the various sales and service taxes charged by the counties. Exhibit 9.8 shows the amount of revenue collected from these various taxes for fiscal 2013.

Legal Reference

Tax-General Article, Title 11

Public Local Laws

Local Government Article, Title 20

 Subtitle 3 (Coal Taxes)

 Subtitle 4 (Hotel Rental Tax)

 Subtitle 6 (Sales and Use Tax)

Exhibit 9.5
Hotel Rental Tax Revenues

County	County Tax Rates		FY 2013 Revenues	Per Capita Revenues	Per Capita Ranking
	FY 2013	FY 2015			
Allegany	8.0%	8.0%	\$787,579	\$11	11
Anne Arundel	7.0%	7.0%	13,653,147	25	5
Baltimore City	9.5%	9.5%	30,288,038	49	3
Baltimore	8.0%	8.0%	8,755,231	11	10
Calvert	5.0%	5.0%	634,973	7	15
Caroline	5.0%	5.0%	40,415	1	22
Carroll	5.0%	5.0%	278,906	2	21
Cecil	3.0%	3.0%	88,585	1	23
Charles	5.0%	5.0%	987,960	7	16
Dorchester	5.0%	5.0%	291,432	9	13
Frederick	3.0%	3.0%	1,221,602	5	19
Garrett	6.0%	6.0%	2,006,797	67	2
Harford	0.0%	0.0%	0	0	24
Howard	7.0%	7.0%	4,404,564	15	7
Kent	5.0%	5.0%	122,535	6	17
Montgomery	7.0%	7.0%	18,910,872	19	6
Prince George's	5.0%	5.0%	4,960,813	6	18
Queen Anne's	5.0%	5.0%	470,139	10	12
St. Mary's	5.0%	5.0%	872,533	8	14
Somerset	5.0%	5.0%	58,106	2	20
Talbot	4.0%	4.0%	1,096,821	29	4
Washington	6.0%	6.0%	1,876,044	13	8
Wicomico	6.0%	6.0%	1,089,928	11	9
Worcester	4.5%	4.5%	13,632,597	264	1
Total			\$106,529,617	\$18	

Source: Department of Legislative Services

Exhibit 9.6
Local Sales and Service Taxes
Fuels and Utilities
Fiscal 2014

<u>County</u>	<u>Item</u>	<u>Tax Rate</u>
Allegany	Coal Tax	\$0.30 per ton mined
Anne Arundel	Steam	\$160 per million pounds
	Natural Gas (nonresidential only)	\$0.008/\$0.020 per therm
	Electricity (nonresidential only)	\$0.0025/\$0.0020 per kilowatt-hour
	Fuel Oil (nonresidential only)	\$0.02 per gallon
	Liquefied Petroleum	\$0.015 per gallon
	Coal	\$2-\$4 per ton
	Telephone	8%
Baltimore City	Steam – commercial	\$0.002529 per pound
	Steam – nonprofit	\$0.001496 per pound
	Natural Gas – commercial	\$0.103965 per therm
	Natural Gas – residential	\$0.030556 per therm
	Natural Gas – nonprofit	\$0.082589 per therm
	Fuel Oil – commercial	\$0.118821 per gallon
	Fuel Oil – residential	\$0.049884 per gallon
	Fuel Oil – nonprofit	\$0.102551 per gallon
	Electricity – commercial	\$0.008040 per kilowatt-hour
	Electricity – residential	\$0.002574 per kilowatt-hour
	Electricity – nonprofit	\$0.005638 per kilowatt-hour
	Liquefied Petroleum – commercial	\$0.145011 per gallon
	Liquefied Petroleum – residential	\$0.045933 per gallon
	Telephone	\$4.00/month (land and wireless lines); \$0.40/month (centrex lines)
Baltimore	Electricity (nonresidential only)	\$0.00530 per kilowatt-hour
	Telephone	8%
Garrett	Natural Gas	5.5% wholesale market value
	Coal	\$0.30/ton
Montgomery	Natural Gas (residential)	\$0.10802 per therm
	Natural Gas (nonresidential)	\$0.18285 per therm
	Electricity (residential)	\$0.01225 per kilowatt-hour
	Electricity (nonresidential)	\$0.02124 per kilowatt-hour

Exhibit 9.6 (cont.)

<u>County</u>	<u>Item</u>	<u>Tax Rate</u>
Montgomery (Cont.)	Fuel Oil (residential)	various rates per gallon
	Fuel Oil (nonresidential)	various rates per gallon
	Liquefied Petroleum (residential)	\$0.02335 per pound
	Liquefied Petroleum (nonresidential)	\$0.025757063 per pound
	Telephone	\$2.00 per land line per month \$3.50 per wireless line per month
Prince George's	Natural Gas (residential)	\$0.059719 per therm
	Electricity	\$0.006489 per kilowatt-hour
	Fuel Oil (residential)	\$0.233019 per gallon
	Propane, Other Misc. Fuels	\$0.276350 per gallon
	Telecommunications	8%
St. Mary's	Natural Gas	1.25% of sales
	Electricity	1.25% of charge per kilowatt-hour
	Fuel Oil	1.25% of charge per gallon
	Liquefied Petroleum	1.25% of charge per pound

Source: Maryland Association of Counties

Exhibit 9.7
Other Local Sales and Service Tax Rates
Fiscal 2014

<u>County</u>	<u>Item</u>	<u>Tax Rate</u>
Anne Arundel	Parking Lots	\$0.60 per day
Baltimore City	Parking Lots	20% of gross receipts
Worcester	Food Tax	0.5% (Applicable in Ocean City only)

Source: Maryland Association of Counties; Department of Legislative Services

**Exhibit 9.8
Local Sales and Service Taxes
Fiscal 2013**

County	Telephone	Energy	Parking/Boat Slips	Other	Total	Per Capita Revenues	Per Capita Ranking
Allegany		\$110,000			\$110,000	\$1	9
Anne Arundel	5,900,000	6,030,000	5,500,000		17,430,000	32	4
Baltimore City	33,080,000	39,572,716	27,124,000		99,776,716	161	2
Baltimore	9,085,099	15,110,340			24,195,439	30	5
Calvert					0	0	10
Caroline					0	0	10
Carroll					0	0	10
Cecil					0	0	10
Charles					0	0	10
Dorchester					0	0	10
Frederick					0	0	10
Garrett		155,268			155,268	5	8
Harford					0	0	10
Howard					0	0	10
Kent					0	0	10
Montgomery	45,418,000	218,285,494			263,703,494	262	1
Prince George's	36,926,800	56,204,726			93,131,526	106	3
Queen Anne's					0	0	10
St. Mary's		1,400,000			1,400,000	13	7
Somerset					0	0	10
Talbot					0	0	10
Washington					0	0	10
Wicomico					0	0	10
Worcester				1,000,000	1,000,000	19	6
Total	\$130,409,899	\$336,868,544	\$32,624,000	\$1,000,000	\$500,902,443	\$85	

Source: Maryland Association of Counties; Department of Legislative Services

Admissions and Amusement Tax

Tax Base

The counties and municipalities 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 municipalities 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 municipality by a county if the municipality 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 any admissions and amusement charge for 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%. The stadium authority may impose an admissions and amusement tax at its facilities of up to 8%.

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% rate at both stadiums at Camden Yards. Therefore, Baltimore City may only impose a maximum 2% 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 both the State sales and use tax and the local admissions and amusement tax may not exceed 11%. Therefore, if the 6% State sales and use tax applies to these receipts, the local admissions and amusement tax may not exceed 5%. This limitation on the local tax arises primarily on performances accompanied by some type of food service (*e.g.*, dinner theaters).

Counties, municipalities, 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 municipality. All counties (with the exception of Caroline and Frederick counties), Baltimore City, and most municipalities impose an admissions and amusement tax. Fiscal 2015 tax rates levied in Maryland counties are shown in Exhibit 9.9, along with tax rates and revenues collected in fiscal 2013. Admissions and amusement tax rates remained relatively constant from fiscal 2011 to 2015; Frederick County reduced its rate from 5% to 0% during fiscal 2013.

Exhibit 9.9
Admissions and Amusement Tax Revenues

County	County Tax Rates		FY 2013 Revenues	Per Capita Revenues	Per Capita Ranking
	FY 2013	FY 2015			
Allegany	7.5%	7.5%	\$250,167	\$3	9
Anne Arundel	10.0%	10.0%	8,407,658	15	2
Baltimore City	10.0%	10.0%	9,161,053	15	4
Baltimore	10.0%	10.0%	5,302,949	6	7
Calvert	1.0%	1.0%	29,720	0	22
Caroline	0.0%	0.0%	0	0	24
Carroll	10.0%	10.0%	296,932	2	15
Cecil	6.0%	6.0%	130,424	1	17
Charles	10.0%	10.0%	796,989	5	8
Dorchester	0.5%	0.5%	445	0	23
Frederick	0.0%	0.0%	525,352	2	12
Garrett	4.5%	4.5%	686,667	23	1
Harford	5.0%	5.0%	533,606	2	13
Howard	7.5%	7.5%	2,136,733	7	6
Kent	4.5%	4.5%	10,404	1	21
Montgomery	7.0%	7.0%	3,178,502	3	11
Prince George's	10.0%	10.0%	13,415,947	15	3
Queen Anne's	5.0%	5.0%	160,516	3	10
St. Mary's	2.0%	2.0%	84,269	1	19
Somerset	4.0%	4.0%	16,292	1	20
Talbot	5.0%	5.0%	47,184	1	18
Washington	5.0%	5.0%	308,149	2	14
Wicomico	6.0%	6.0%	157,103	2	16
Worcester	3.0%	3.0%	481,879	9	5
Total			\$46,118,940	\$8	

Note: Frederick County reduced its rate from 5% to 0% during fiscal 2013.

Source: Department of Legislative Services

Tax Exemptions

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

- 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.

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 municipalities 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, municipality, or the Maryland Stadium Authority).

If the Maryland Stadium Authority and a local government both tax a reduced-charge or free admission, 80% of the revenue is distributed to the stadium authority and 20% 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

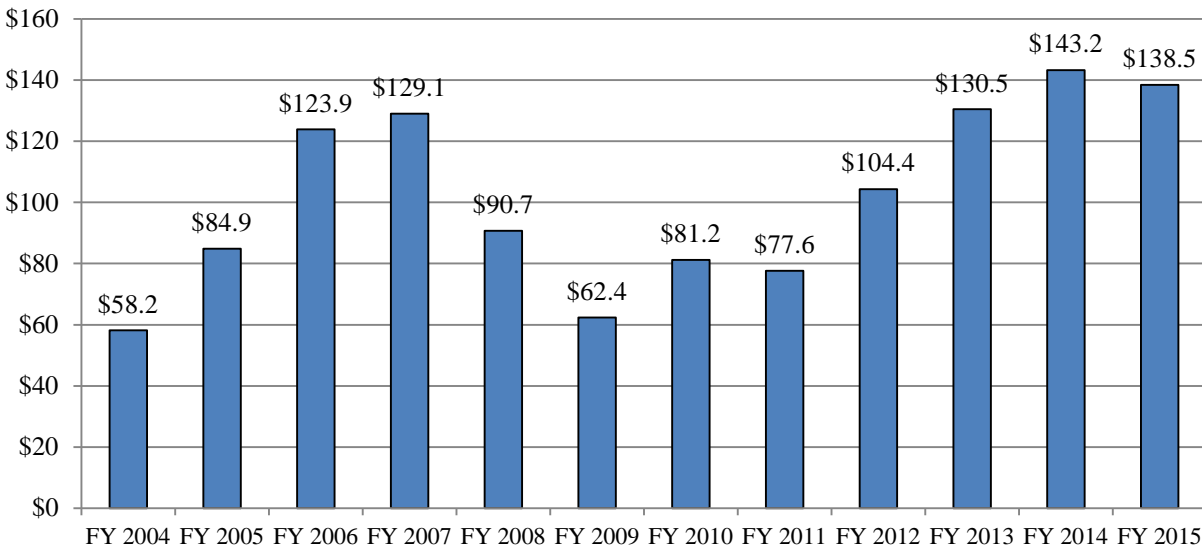
Tax-General Article, Title 2, Subtitle 2, and Title 4

Chapter 10. Development Impact Fees and Excise Taxes

Managing growth continues to be an issue confronting local governments in Maryland. In order to better manage growth, local governments have several tools that they may use, including imposing development impact fees and excise taxes. Development impact fees and excise taxes are charges on new development used to fund capital programs and services necessitated by new growth. These development charges allow local governments to shift the costs of financing new public facilities from existing taxpayers to those responsible for the development. In many situations, the use of such development charges may eliminate the need for jurisdiction-wide tax increases.

Sixteen counties in Maryland impose development impact fees or excise taxes, with estimated fiscal 2015 collections totaling \$138.5 million. After generally increasing for a number of years through fiscal 2007, revenues decreased considerably in fiscal 2008 and 2009. More recently, revenues have increased again (Exhibit 10.1).

Exhibit 10.1
Development Impact Fee and Excise Tax Revenue
(\$ in Millions)



Source: Department of Legislative Services

Development Impact Fees

A development impact fee is a regulatory measure designed to fund facilities specifically required by new development projects in order to mitigate the impact of such development on infrastructure or public facilities. However, there must be a reasonable connection between the amount of the impact fee imposed and the actual cost of providing facilities to the properties assessed. In order to justify the imposition of an impact fee, a jurisdiction must conduct a study that measures the effects that new development will have on public facilities. The amount of an impact fee is subject to judicial review. Moreover, the revenue from the fee must be dedicated to substantially benefit the assessed properties. Thus, a county cannot collect an impact fee in one geographic area and spend the funds in another area.

Development Excise Taxes

A development excise tax is another means of raising revenue from new development. Unlike a regulatory impact fee, the amount of an excise tax does not have to be closely related to the actual cost of providing public facilities to serve new development. In addition, excise tax revenues do not have to be spent to specifically benefit the properties that are taxed but may generally be spent throughout the county.

Imposition and Administration

In counties that impose development impact fees and excise taxes, the charges are collected by the county and are often required to be paid before a building permit or zoning certificate is issued. Municipalities may, in some cases, assist counties in the collection of the charges within their jurisdictions. Exhibit 10.2 shows the counties that impose development impact fees and excise taxes, corresponding legislative references, fiscal 2015 rates, and fiscal 2015 estimated revenues. In a given county, other charges imposed on new development (while not accounted for here as development impact fees or excise taxes) may also be directed partially or wholly toward new or expanded facilities (*e.g.*, water/sewer system development charges or connection charges).

Exhibit 10.2
Maryland Counties with Development Impact Fees and Excise Taxes
Fiscal 2015

County	Type	Legislative Reference	Rate Per Dwelling ¹	Estimated Revenues
Anne Arundel	Impact Fee	Ch. 350 of 1986	\$11,896 ²	\$8,420,000
Calvert	Excise Tax	Ch. 232 of 2001	12,950	3,128,314
Caroline ³	Excise Tax	Ch. 565 of 1993 Ch. 566 of 1993 Ch. 538 of 2004	5,000	60,000
Carroll	Impact Fee	Ch. 108 of 1987	533	318,000
Charles	Excise Tax	Ch. 476/586 of 2002	13,366	9,250,767
Dorchester ⁴	Excise Tax	Ch. 401 of 2004	3,671	82,770
Frederick ⁵	Impact Fee/Excise Tax	Ch. 468 of 1990 Ch. 690 of 2001	14,208	10,508,724
Harford	Impact Fee	Ch. 389 of 2004	6,000	2,500,000
Howard	Excise Tax/Surcharge	Ch. 285 of 1992 Ch. 420 of 2004	\$2.40/sq. ft.	14,414,904
Montgomery ^{4,6}	Impact Tax	Ch. 808 of 1963 Ch. 707 of 1990	39,450	58,407,000
Prince George's ⁴	Surcharge	Ch. 66 of 1995 Ch. 431 of 2003 Ch. 594 of 2005	22,803	26,104,650
Queen Anne's	Impact Fee	Ch. 532 of 1992	\$4.84/sq. ft.	1,555,000
St. Mary's	Impact Fee	Ch. 814 of 1974	4,500	2,187,500
Talbot ⁴	Impact Fee	Ch. 642 of 1991	6,804	200,000
Washington	Excise Tax	Ch. 468 of 2003 Ch. 598 of 2005 Ch. 533 of 2008	\$1.00/sq. ft.	543,000
Wicomico	Impact Fee	Ch. 399 of 1992	5,231	771,142
Total				\$138,451,771

¹The rates shown are generally those applicable to single-family detached dwellings.

²Rate for a 2,000-2,499 square foot residential unit. Residential rates vary by square footage.

³ A \$750 excise tax for agricultural land preservation also applies to new lots created by subdivision in a "rural district."

⁴ These counties have one or more additional rate(s) applicable to different areas of the county.

⁵ Rate per dwelling shown represents school/library impact fees. The roads excise tax was reduced to \$0.00 effective November 2011.

⁶ The school impact tax, which represents a portion of the total shown, is increased by \$2 for each square foot between 3,500 and 8,500 square feet.

Governmental Uses

Public services funded by development impact fees and excise taxes include public school construction, libraries, community colleges, transportation, public safety, parks and recreation, and utilities. In fiscal 2015, approximately 81.4% of development charges are expected to be targeted to education-related projects while 16.1% are expected to be targeted to transportation projects – the two leading governmental uses for these revenues. Education-related projects include funding for public schools, libraries, and community colleges. Exhibits 10.3 and 10.4 show the governmental uses for both development impact fees and excise taxes for fiscal 2014 and 2015.

Statutory Restrictions

Statutory restrictions on allowable uses of the impact fee and excise tax revenue vary from county to county. Use of the revenue for creation or expansion of public facilities rather than for maintenance or operations of existing facilities is often required. Some county ordinances also require, to one extent or another, that the additional or expanded facilities benefit the development from which the revenue was generated or benefit a defined district or area that the development is located in.

Local governments must have authority from the General Assembly in order to impose a development impact fee or excise tax. Code home rule counties are authorized as a group to impose specified impact fees and excise taxes and a number of other counties have specific authorizations from the General Assembly.

Tax Rate Setting Authority

The impact fee amounts and excise tax rates are generally established in the county implementing ordinance for the impact fee or excise tax or by county resolution. In some cases, limits on the fees or rates are set in the General Assembly authorization for the fee or tax. Different fees and rates often apply to different types of development and, in some cases, development in different areas of the county. Exemptions and/or waivers or deferrals are often available for certain types of development, such as affordable housing. A number of counties also allow certain conveyances or dedications of land or construction of public facilities by the developer to substitute for payment of the fee or tax.

Legal Reference

Local Government Article, Sections 1-101, 1-1308, 5-102, and 20-701 through 20-806

Public Local Laws

Exhibit 10.3
Governmental Uses of Development Impact Fees and Excise Taxes
Fiscal 2014 Estimate

County	Education	Transportation	Public Safety	Recreation	Other	Total	Per Capita Revenues	Per Capita Ranking
Allegany	\$0	\$0	\$0	\$0	\$0	\$0	\$0.00	17
Anne Arundel	4,120,000	3,850,000	500,000	0	0	8,470,000	15.24	9
Baltimore City	0	0	0	0	0	0	0.00	17
Baltimore	0	0	0	0	0	0	0.00	17
Calvert	2,259,854	1,092,263	0	414,307	0	3,766,424	41.63	4
Caroline	79,486	0	0	0	9,750	89,236	2.73	14
Carroll	0	0	0	193,300	0	193,300	1.15	16
Cecil	0	0	0	0	0	0	0.00	17
Charles	10,483,482	0	0	0	0	10,483,482	68.58	1
Dorchester	74,655	0	8,115	0	0	82,770	2.53	15
Frederick	7,653,760	0	0	0	0	7,653,760	31.70	5
Garrett	0	0	0	0	0	0	0.00	17
Harford	2,500,000	0	0	0	0	2,500,000	10.03	10
Howard	7,797,000	6,500,000	0	0	0	14,297,000	46.94	3
Kent	0	0	0	0	0	0	0.00	17
Montgomery	45,914,070	20,405,035	0	0	0	66,319,105	65.23	2
Prince George's	23,433,000	0	1,500,000	0	0	24,933,000	28.01	6
Queen Anne's	775,000	0	200,000	80,000	0	1,055,000	21.74	7
St. Mary's	1,687,500	225,000	0	250,000	0	2,162,500	19.72	8
Somerset	0	0	0	0	0	0	0.00	17
Talbot	52,500	24,500	0	15,000	30,000	122,000	3.22	13
Washington	327,676	211,816	0	0	14,894	554,386	3.71	12
Wicomico	557,082	0	0	0	0	557,082	5.52	11
Worcester	0	0	0	0	0	0	0.00	17
Total	\$107,715,065	\$32,308,614	\$2,208,115	\$952,607	\$54,644	\$143,239,045		\$24.16
Share of Total	75.2%	22.6%	1.5%	0.7%	0.0%	100.0%		

Source: Department of Legislative Services

Exhibit 10.4
Governmental Uses of Development Impact Fees and Excise Taxes
 Fiscal 2015 Estimate

County	Education	Transportation	Public Safety	Recreation	Other	Total	Per Capita Revenues	Per Capita Ranking
Allegany	\$0	\$0	\$0	\$0	\$0	\$0	\$0.00	17
Anne Arundel	4,020,000	3,900,000	500,000	0	0	8,420,000	15.15	9
Baltimore City	0	0	0	0	0	0	0.00	17
Baltimore	0	0	0	0	0	0	0.00	17
Calvert	1,863,072	921,681	0	343,561	0	3,128,314	34.57	5
Caroline	50,000	0	0	0	10,000	60,000	1.84	16
Carroll	0	0	0	318,000	0	318,000	1.90	15
Cecil	0	0	0	0	0	0	0.00	17
Charles	9,250,767	0	0	0	0	9,250,767	60.52	1
Dorchester	74,655	0	8,115	0	0	82,770	2.53	14
Frederick	10,508,724	0	0	0	0	10,508,724	43.53	4
Garrett	0	0	0	0	0	0	0.00	17
Harford	2,500,000	0	0	0	0	2,500,000	10.03	10
Howard	6,936,068	7,478,836	0	0	0	14,414,904	47.33	3
Kent	0	0	0	0	0	0	0.00	17
Montgomery	48,937,000	9,470,000	0	0	0	58,407,000	57.45	2
Prince George's	24,604,650	0	1,500,000	0	0	26,104,650	29.33	7
Queen Anne's	1,235,000	0	200,000	120,000	0	1,555,000	32.05	6
St. Mary's	1,687,500	225,000	0	275,000	0	2,187,500	19.95	8
Somerset	0	0	0	0	0	0	0.00	17
Talbot	79,000	37,000	0	19,000	65,000	200,000	5.27	12
Washington	249,000	279,000	0	0	15,000	543,000	3.63	13
Wicomico	771,142	0	0	0	0	771,142	7.64	11
Worcester	0	0	0	0	0	0	0.00	17
Total	\$112,766,578	\$22,311,517	\$2,208,115	\$1,075,561	\$90,000	\$138,451,771	\$23.35	
Share of Total	81.4%	16.1%	1.6%	0.8%	0.1%	100.0%		

Source: Department of Legislative Service

Chapter 11. Service Charges

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 11.7% of total county revenues in fiscal 2013 and 18.2% of county own-source revenues. Service charges are the second largest revenue source for municipalities, comprising 33.0% of total municipal revenues in fiscal 2013 and 37.2% 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 2013, local governments collected \$3.6 billion in service charges as shown in Exhibit 11.1. The counties collected approximately 87.6% of the service charges, with the municipalities accounting for the remainder. Approximately 62.5% of service charges at the county level are for water and wastewater services, while 12.5% are for community colleges and 6% are for transportation. At the municipal level, 62.4% of service charges are for water and wastewater services, while 21.9% are for public service enterprises and 12.2% are for both transportation and recreation services. Over the past 10 years, local revenues from service charges have increased at an average annual rate of 4.9% for counties and 5.4% for municipalities, slightly above the growth rate for total revenues.

9-1-1 Emergency Communication System Fee

All counties in Maryland are required to have an operational enhanced 9-1-1 system that provides automatic number and location identification. Each subscriber to a 9-1-1-accessible telephone or wireless service pays a 25 cent per month 9-1-1 fee under State law to help pay for 9-1-1 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 9-1-1 maintenance and operations. The statewide fee and additional county charges are collected by the telephone companies and other 9-1-1 service carriers and remitted to the Comptroller. The money is held in the 9-1-1 Trust Fund, which includes separate accounts for each county and is disbursed in accordance with the State budget. The fiscal 2013 and 2015 local monthly 9-1-1 fees for each county are presented in Exhibit 11.2, along with fees and revenues collected in fiscal 2013.

Exhibit 11.1
Service Charges Revenues
Fiscal 2013

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$24,352,100	\$28,179,543	\$52,531,643	\$710	6
Anne Arundel	300,335,417	30,395,063	330,730,480	601	9
Baltimore City	483,288,095	0	483,288,095	778	5
Baltimore	318,741,636	0	318,741,636	390	16
Calvert	32,034,298	4,237,477	36,271,775	405	15
Caroline	4,860,380	5,002,561	9,862,941	301	23
Carroll	32,722,850	20,579,347	53,302,197	319	22
Cecil	22,556,055	16,947,262	39,503,317	388	17
Charles	83,769,831	6,958,992	90,728,823	602	8
Dorchester	6,842,644	9,251,522	16,094,166	494	12
Frederick	145,481,132	50,139,162	195,620,294	817	4
Garrett	12,072,089	2,332,787	14,404,876	483	13
Harford	62,138,044	19,077,930	81,215,974	327	21
Howard	140,124,732	0	140,124,732	468	14
Kent	3,327,419	3,512,660	6,840,079	339	20
Montgomery	782,566,323	41,452,662	824,018,985	820	3
Prince George's	511,158,301	13,269,821	524,428,122	595	10
Queen Anne's	15,140,346	2,436,458	17,576,804	362	19
St. Mary's	39,741,702	2,009,934	41,751,636	383	18
Somerset	5,586,557	1,873,471	7,460,028	284	24
Talbot	10,540,206	55,578,978	66,119,184	1,736	1
Washington	41,498,471	59,720,234	101,218,705	679	7
Wicomico	33,574,680	22,939,210	56,513,890	562	11
Worcester	29,454,042	49,451,453	78,905,495	1,530	2
Total	\$3,141,907,350	\$445,346,527	\$3,587,253,877	\$610	

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

Exhibit 11.2
9-1-1 Emergency Communications System Revenues

County	Monthly Local Fee		FY 2013	Per Capita	Per Capita
	FY 2013	FY 2015	Revenues	Revenues	Ranking
Allegany	\$0.75	\$0.75	\$486,363	\$7	10
Anne Arundel	0.75	0.75	3,837,893	7	4
Baltimore City	0.75	0.75	3,984,739	6	12
Baltimore	0.75	0.75	5,680,892	7	5
Calvert	0.75	0.75	579,613	6	11
Caroline	0.75	0.75	183,420	6	21
Carroll	0.75	0.75	1,012,822	6	18
Cecil	0.75	0.75	583,622	6	20
Charles	0.75	0.75	991,259	7	9
Dorchester	0.75	0.75	201,337	6	15
Frederick	0.75	0.75	1,468,437	6	16
Garrett	0.75	0.75	257,791	9	1
Harford	0.75	0.75	1,573,129	6	13
Howard	0.75	0.75	2,115,589	7	3
Kent	0.75	0.75	127,730	6	14
Montgomery	0.75	0.75	6,736,896	7	7
Prince George's	0.75	0.75	5,914,226	7	6
Queen Anne's	0.75	0.75	297,693	6	17
St. Mary's	0.75	0.75	594,339	5	23
Somerset	0.75	0.75	118,464	5	24
Talbot	0.75	0.75	253,231	7	8
Washington	0.75	0.75	870,076	6	19
Wicomico	0.75	0.75	550,469	5	22
Worcester	0.75	0.75	422,253	8	2
Total			\$38,842,283	\$7	

Source: Maryland Association of Counties; Department of Legislative Services

Chapter 12. Other Local Revenues

Licenses and Permits

In fiscal 2013, local governments collected \$275.9 million from licenses and permits. Exhibit 12.1 shows the total fiscal 2013 license and permit fee revenues collected by county and municipal governments. 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 courts 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;
- traders – revenues from licensing individuals or corporations that 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 marriage license fees; and
- cable television – revenues from the licensing and franchising of cable television operators, such as application fees, renewal fees, and franchise fees.

Exhibit 12.1
License and Permit Revenues
Fiscal 2013

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$664,287	\$613,675	\$1,277,962	\$17	17
Anne Arundel	25,472,177	2,699,726	28,171,903	51	4
Baltimore City	40,567,308	0	40,567,308	65	3
Baltimore	23,363,743	0	23,363,743	29	9
Calvert	307,553	157,465	465,018	5	24
Caroline	153,835	151,166	305,001	9	22
Carroll	1,518,884	921,734	2,440,618	15	19
Cecil	1,843,264	532,289	2,375,553	23	14
Charles	1,008,206	348,593	1,356,799	9	23
Dorchester	383,447	344,835	728,282	22	15
Frederick	2,974,589	3,114,032	6,088,621	25	11
Garrett	266,183	98,567	364,750	12	20
Harford	3,637,218	724,209	4,361,427	18	16
Howard	12,656,238	0	12,656,238	42	6
Kent	344,330	140,212	484,542	24	13
Montgomery	77,936,504	9,748,660	87,685,164	87	2
Prince George's	36,737,446	8,317,000	45,054,446	51	5
Queen Anne's	1,007,475	172,617	1,180,092	24	12
St. Mary's	1,497,437	136,270	1,633,707	15	18
Somerset	144,326	139,452	283,778	11	21
Talbot	709,104	527,492	1,236,596	32	8
Washington	3,217,715	1,661,750	4,879,465	33	7
Wicomico	1,242,057	1,619,187	2,861,244	28	10
Worcester	1,756,502	4,306,293	6,062,795	118	1
Total	\$239,409,828	\$36,475,224	\$275,885,052	\$47	

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

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 municipality in which the respective business that paid the fee is located.

Building Permits

State law generally authorizes all counties and Baltimore City to regulate the construction of buildings, including the issuance of building permits. Municipalities 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 municipality. 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.

Business Licenses

Local business licenses cover a wide spectrum, ranging from traders to dry cleaners to outdoor music festivals. 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 stating that the exhibitor (1) receives less than 10% 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 courts and distributed to the jurisdiction in which they are collected.

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. The standard fee for a marriage license is \$10. In addition, counties can collect additional fees that are largely used to fund domestic violence programs. The maximum rate for these additional fees, ranging from \$15 to \$75 depending on the county, is set in State law. The clerk retains a portion of the fee and the remainder is returned to the county.

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 municipalities to grant cable television franchises and impose related fees or charges. Local ordinances establish the rates in each jurisdiction.

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 and speed camera fines; and
- parking fines.

In fiscal 2013, local governments collected \$125.8 million in fines and forfeitures (see Exhibit 12.2). Of this amount, counties collected \$94.4 million (75.1%), and municipalities collected \$31.4 million (24.9%).

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.

Exhibit 12.2
Fine and Forfeiture Revenues
Fiscal 2013

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$47,142	\$73,693	\$120,835	\$2	23
Anne Arundel	1,668,233	416,035	2,084,268	4	15
Baltimore City	29,364,369	0	29,364,369	47	1
Baltimore	4,843,763	0	4,843,763	6	12
Calvert	408,354	93,713	502,067	6	13
Caroline	48,021	19,800	67,821	2	19
Carroll	95,487	201,375	296,862	2	21
Cecil	137,210	40,697	177,907	2	22
Charles	3,064,461	246	3,064,707	20	4
Dorchester	0	227,974	227,974	7	11
Frederick	309,459	2,084,469	2,393,928	10	9
Garrett	34,833	7,419	42,252	1	24
Harford	383,513	479,761	863,274	3	17
Howard	3,535,355	0	3,535,355	12	6
Kent	111,929	105,358	217,287	11	8
Montgomery	30,016,718	11,295,727	41,312,445	41	2
Prince George's	19,735,021	12,772,800	32,507,821	37	3
Queen Anne's	131,676	39,583	171,259	4	16
St. Mary's	227,571	0	227,571	2	18
Somerset	7,892	44,673	52,565	2	20
Talbot	5,354	148,213	153,567	4	14
Washington	51,284	1,695,254	1,746,538	12	7
Wicomico	138,681	833,137	971,818	10	10
Worcester	56,631	805,367	861,998	17	5
Total	\$94,422,957	\$31,385,294	\$125,808,251	\$21	

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; sales of property (other than tax sales); 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.

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. In fiscal 2013 local governments received \$670.9 million in miscellaneous revenues as shown in Exhibit 12.3. Of this amount, counties received \$605.4 million (90.2%) and municipalities received \$65.5 million (9.8%). Of the revenues received at the county level, \$231.1 million went to the local boards of education, \$36.3 million went to the local community colleges, and \$13.2 million went to local library boards. Most of the miscellaneous revenues for both the counties and municipalities were interest and dividends.

Exhibit 12.3
Miscellaneous Revenues
Fiscal 2013

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$12,651,145	\$1,253,569	\$13,904,714	\$188	4
Anne Arundel	40,646,365	1,359,241	42,005,606	76	23
Baltimore City	55,696,794	0	55,696,794	90	21
Baltimore	47,204,358	0	47,204,358	58	24
Calvert	8,699,971	259,504	8,959,475	100	18
Caroline	4,120,108	743,401	4,863,509	149	8
Carroll	15,182,501	2,607,085	17,789,586	106	15
Cecil	8,471,793	1,538,239	10,010,032	98	19
Charles	16,997,679	1,077,740	18,075,419	120	11
Dorchester	3,168,262	644,790	3,813,052	117	13
Frederick	23,346,611	16,263,764	39,610,375	165	7
Garrett	5,539,237	337,640	5,876,877	197	3
Harford	66,437,698	1,999,085	68,436,783	275	1
Howard	55,153,329	0	55,153,329	184	5
Kent	1,003,201	2,345,777	3,348,978	166	6
Montgomery	93,147,973	13,263,958	106,411,931	106	16
Prince George's	100,051,960	3,921,995	103,973,955	118	12
Queen Anne's	5,071,217	1,730,416	6,801,633	140	9
St. Mary's	10,371,493	1,094,596	11,466,089	105	17
Somerset	1,847,837	695,119	2,542,956	97	20
Talbot	4,660,876	4,196,643	8,857,519	232	2
Washington	14,166,932	6,193,089	20,360,021	136	10
Wicomico	9,218,368	2,400,659	11,619,027	115	14
Worcester	2,583,783	1,573,717	4,157,500	81	22
Total	\$605,439,491	\$65,500,027	\$670,939,518	\$114	

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

Chapter 13. Local Debt Measures

Local governments in Maryland may incur various kinds of debt – general obligation, revenue/enterprise, State/federal loans, and short-term. Long-term debt generally serves as a funding source for capital projects such as highways, school facilities, sewer and water facilities, parking facilities, parks and recreation facilities, housing and urban development projects, and county buildings. Short-term debt usually serves as a cash management tool. Local 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 assessable property base. As of June 30, 2013, local debt outstanding amounted to approximately \$20.2 billion. From fiscal 2008 to 2013, local debt increased by 29.4%, as shown in Exhibit 13.1. This chapter will review aspects of locally assumed debt.

Exhibit 13.1
Maryland Local Government Debt Outstanding
Selected Fiscal Years
(\$ in Millions)

	<u>FY 2008</u>	<u>FY 2013</u>	<u>Percent Change</u>
Counties	\$14,621.7	\$18,899.1	29.3%
Municipalities	967.3	1,266.9	31.0%
Total	\$15,589.0	\$20,166.0	29.4%

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 State debts. 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.

Most local government debt (93.7%) has been issued at the county level, nearly all of which has been given a credit rating by the major rating houses. Exhibit 13.2 shows the credit rating for each county as of July 2013 for general obligation bonds by the three major rating agencies: Standard & Poor's, Moody's Investors Service, and Fitch Ratings. Bond ratings range from "AAA" for the best quality and smallest investment risk to "C" for the poorest quality and highest risk. Specific classifications are used by each of the rating agencies, but the letter grade systems generally follow these norms. The ratings are assigned based upon the overall creditworthiness of the issuer. For county government, measurements such as size and growth in tax bases are key factors in determining the bond rating. The highest bond rating issued by Moody's to Maryland counties is Aaa while the lowest is A3. 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 AA-.

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, unless petitioned to referendum.

Exhibit 13.2
Maryland County Debt
Bond Ratings – July 2013

County	Standard & Poor's	Moody's	Fitch
Allegany	A+	Aa3	-
Anne Arundel	AAA	Aa1	-
Baltimore City	AA-	Aa2	-
Baltimore	AAA	Aaa	AAA
Calvert	AAA	Aa1	AAA
Caroline	A	A3	-
Carroll	AA+	Aa1	AAA
Cecil	AA	Aa2	-
Charles	AA+	Aa1	AAA
Dorchester	A	A2	-
Frederick	AA+	Aa1	AAA
Garrett	-	-	-
Harford	AA+	Aaa	AAA
Howard	AAA	Aaa	AAA
Kent	-	-	-
Montgomery	AAA	Aaa	AAA
Prince George's	AAA	Aaa	AAA
Queen Anne's	-	-	AA+
St. Mary's	AA	Aa2	AA+
Somerset	-	-	-
Talbot	-	Aa2	AAA
Washington	AA	Aa2	AA
Wicomico	AA-	Aa3	AA-
Worcester	AA	Aa2	AA

Note: (-) means not rated

Source: 2013 Local Government Budget and Tax Rate Survey; Department of Legislative Services; Maryland Association of Counties

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 municipalities, 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, unless required by the resolution, ordinance, or municipal charter. In addition, short-term debt must mature within 18 months of its issuance. Municipalities may issue revenue/enterprise bonds and create special taxing districts for various purposes. They also may levy taxes in a district to pay the debt service on municipal general obligation debt issued for the purposes of the district.

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% of real property assessable base and 15% 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% of real property and 14.0% of personal property and certain operating real property for water and sewer bonds, and 5.2% of real property and 13.0% of personal property and certain operating real property for other debt;
- Baltimore – 4.0% of real and personal property;
- Howard – 4.8% of real and personal property; and
- Wicomico – 3.2% of real property and 8.0% 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 municipality may create. The voters of the applicable municipality must subsequently approve this limitation. In addition, through its legislative powers, a municipality may establish a debt limitation in its charter, provided that the voters approve this limitation.

Exhibit 13.3 shows indebtedness for each county in fiscal 2008 and 2013, and Exhibit 13.4 shows municipal indebtedness by county in fiscal 2008 and 2013.

Comparative Measures

Population and assessable base are two common analytical measures used to determine a manageable debt load for a jurisdiction. Exhibit 13.5 shows the per capita debt amounts and the county debt as a percentage of each county's assessable base for fiscal 2008 and 2013, and Exhibit 13.6 shows the same measures for municipal debt, also for fiscal 2008 and 2013.

Per capita debt for Maryland counties totaled \$3,212 in fiscal 2013. Baltimore City and Howard and Montgomery counties had the highest per capita debt. Relatively high ratios in Montgomery and Prince George's counties are attributed to the inclusion of the Washington Suburban Sanitary Commission's debt. Excluding this debt, the per capita debt amounts in fiscal 2013 decrease to \$3,976 in Montgomery County and \$1,745 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, Dorchester, and Wicomico counties had the lowest per capita debt amounts with each under \$1,000 per resident. For comparative purposes, municipalities/special taxing districts had a ratio of \$1,382 per person in fiscal 2013. Over the five-year period from fiscal 2008 to 2013, per capita county debt increased by 24.2% and per capita municipal debt increased by 24.7%.

County debt as a percentage of a county's assessable base totaled 2.8% in fiscal 2013, ranging from less than 1.0% in Dorchester, Garrett, Talbot, and Worcester counties to over 8.0% in Baltimore City. For comparative purposes, municipalities/special taxing districts had a ratio of 1.2% in fiscal 2013. County debt as a percentage of assessable base increased from 2.3% in 2008 to 2.8% in 2013 and municipal debt increased from 0.9% to 1.2%.

Exhibit 13.3
Total County Debt Outstanding
Selected Fiscal Years

County	FY 2008	FY 2013	Percent Change
Allegany	\$60,486,704	\$54,250,948	-10.3%
Anne Arundel	857,885,755	1,138,596,837	32.7%
Baltimore City	2,571,371,518	2,833,685,916	10.2%
Baltimore	1,625,752,170	2,825,810,986	73.8%
Calvert	159,058,585	147,170,159	-7.5%
Caroline	39,676,924	34,259,946	-13.7%
Carroll	260,656,212	343,720,478	31.9%
Cecil	164,481,860	182,694,509	11.1%
Charles	331,968,364	342,381,671	3.1%
Dorchester	19,593,916	28,396,832	44.9%
Frederick	583,783,094	661,916,754	13.4%
Garrett	41,160,294	41,312,090	0.4%
Harford	376,569,371	660,169,543	75.3%
Howard	994,237,562	1,459,006,571	46.7%
Kent	21,948,202	32,972,678	50.2%
Montgomery	3,818,295,371	4,948,181,337	29.6%
Prince George's	2,019,130,364	2,490,658,476	23.4%
Queen Anne's	84,516,482	100,574,617	19.0%
St. Mary's	147,394,760	128,905,570	-12.5%
Somerset	26,167,432	35,410,126	35.3%
Talbot	58,032,465	42,128,547	-27.4%
Washington	181,448,484	180,550,809	-0.5%
Wicomico	92,821,073	100,359,578	8.1%
Worcester	85,309,937	85,972,229	0.8%
Total	\$14,621,746,899	\$18,899,087,207	29.3%

Note: The Washington Suburban Sanitary Commission's debt is allocated to both Montgomery and Prince George's counties on a 50/50 basis.

Source: Department of Legislative Services

Exhibit 13.4
Total Municipal Debt Outstanding
Selected Fiscal Years

County	FY 2008	FY 2013	Percent Change
Allegany	\$61,718,004	\$76,028,020	23.2%
Anne Arundel	71,637,176	127,651,329	78.2%
Baltimore City	0	0	
Baltimore	0	0	
Calvert	15,264,392	17,590,863	15.2%
Caroline	15,137,978	19,538,534	29.1%
Carroll	33,103,793	48,007,300	45.0%
Cecil	57,856,226	71,596,771	23.7%
Charles	13,533,051	13,942,120	3.0%
Dorchester	32,444,633	28,996,645	-10.6%
Frederick	150,308,619	239,883,442	59.6%
Garrett	4,218,622	6,700,839	58.8%
Harford	40,481,877	57,606,770	42.3%
Howard	0	0	
Kent	11,083,710	9,863,802	-11.0%
Montgomery	121,159,368	151,429,189	25.0%
Prince George's	48,629,473	58,963,037	21.2%
Queen Anne's	11,559,521	13,468,530	16.5%
St. Mary's	1,410,811	1,899,708	34.7%
Somerset	6,742,497	5,502,012	-18.4%
Talbot	42,727,941	36,223,007	-15.2%
Washington	50,241,493	81,774,535	62.8%
Wicomico	81,696,295	87,357,050	6.9%
Worcester	96,300,939	112,858,040	17.2%
Total	\$967,256,419	\$1,266,881,543	31.0%

Source: Department of Legislative Services

Exhibit 13.5
County Debt Measures
Selected Fiscal Years

County	Per Capita Debt			Percent of Assessable Base	
	FY 2008	FY 2013	% Change	FY 2008	FY 2013
Allegany	\$812	\$733	-9.8%	1.9%	1.4%
Anne Arundel	1,648	2,068	25.5%	1.2%	1.5%
Baltimore City	4,145	4,561	10.0%	8.9%	8.1%
Baltimore	2,042	3,457	69.3%	2.3%	3.5%
Calvert	1,819	1,642	-9.7%	1.4%	1.2%
Caroline	1,213	1,047	-13.6%	1.6%	1.2%
Carroll	1,557	2,056	32.0%	1.5%	1.8%
Cecil	1,651	1,796	8.8%	1.8%	1.8%
Charles	2,326	2,274	-2.3%	2.1%	2.1%
Dorchester	609	872	43.2%	0.7%	0.9%
Frederick	2,566	2,763	7.6%	2.2%	2.6%
Garrett	1,365	1,384	1.4%	1.1%	0.9%
Harford	1,558	2,655	70.4%	1.6%	2.5%
Howard	3,613	4,873	34.9%	2.4%	3.3%
Kent	1,108	1,633	47.3%	0.9%	1.1%
Montgomery	4,098	4,925	20.2%	2.3%	3.0%
Prince George's	2,376	2,827	19.0%	2.7%	3.1%
Queen Anne's	1,817	2,070	13.9%	1.1%	1.3%
St. Mary's	1,465	1,183	-19.3%	1.5%	1.1%
Somerset	986	1,349	36.8%	1.9%	2.4%
Talbot	1,561	1,106	-29.2%	0.7%	0.5%
Washington	1,241	1,210	-2.5%	1.5%	1.4%
Wicomico	966	997	3.2%	1.5%	1.5%
Worcester	1,671	1,667	-0.3%	0.5%	0.5%
Total	\$2,586	\$3,212	24.2%	2.3%	2.8%

Note: The Washington Suburban Sanitary Commission's debt is allocated to both Montgomery and Prince George's counties on a 50/50 basis.

Source: Department of Legislative Services

Exhibit 13.6
Municipal Debt Measures
Selected Fiscal Years

County	Per Capita Debt			Percent of Assessable Base	
	FY 2008	FY 2013	% Change	FY 2008	FY 2013
Allegany	\$1,824	\$2,297	26.0%	3.4%	3.3%
Anne Arundel	1,895	3,288	73.5%	1.2%	2.2%
Baltimore City	0	0	0.0%	0.0%	0.0%
Baltimore	0	0	0.0%	0.0%	0.0%
Calvert	2,071	2,233	7.8%	2.0%	1.8%
Caroline	1,263	1,636	29.5%	1.9%	2.1%
Carroll	689	982	42.5%	0.7%	1.0%
Cecil	2,015	2,394	18.8%	2.4%	2.6%
Charles	1,097	1,076	-2.0%	1.0%	1.0%
Dorchester	2,055	1,783	-13.2%	3.2%	2.6%
Frederick	1,572	2,379	51.4%	1.7%	2.6%
Garrett	607	974	60.4%	1.3%	1.5%
Harford	1,069	1,480	38.4%	1.2%	1.4%
Howard	0	0	0.0%	0.0%	0.0%
Kent	1,375	1,217	-11.5%	1.4%	1.0%
Montgomery	799	904	13.2%	0.4%	0.5%
Prince George's	210	242	15.6%	0.3%	0.3%
Queen Anne's	1,866	1,994	6.9%	1.6%	1.6%
St. Mary's	509	540	6.2%	0.6%	0.5%
Somerset	1,139	924	-18.9%	2.0%	1.6%
Talbot	2,342	1,860	-20.6%	1.7%	1.2%
Washington	954	1,517	58.9%	1.6%	2.3%
Wicomico	1,974	1,978	0.2%	3.1%	3.1%
Worcester	5,356	6,285	17.4%	0.8%	1.2%
Total	\$1,108	\$1,382	24.7%	0.9%	1.2%

Note: The Washington Suburban Sanitary Commission's debt is allocated to both Montgomery and Prince George's counties on a 50/50 basis.

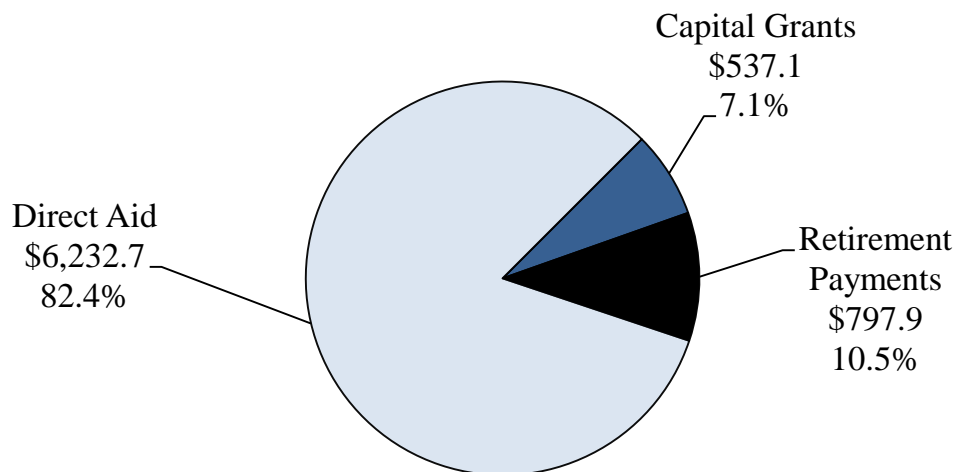
Source: Department of Legislative Services

Chapter 14. Overview of State Aid

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 23.

Local governments received approximately \$7.6 billion in State financial support in fiscal 2015. Direct aid accounts for 82.4% of this funding and includes grants for various public services such as education, transportation, public safety, health, and land preservation. 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 10.5% of funding, and capital grants account for 7.1%. Exhibit 14.1 illustrates the components of State support in fiscal 2015.

Exhibit 14.1
Components of State Support for Local Governments
Fiscal 2015
(\$ in Millions)



Source: Department of Legislative Services

Direct Aid and Retirement Payments

Overview

State aid to local governments totaled \$7.0 billion in fiscal 2015. During the 2011-2014 legislative term (fiscal 2012 through 2015), State aid to local governments increased by an average annual rate of 2.2%, despite considerable fiscal challenges faced by the State during this period. Over this four-year period, State aid to local governments increased by \$574.8 million, including an increase of \$676.7 million in direct aid that is partially offset by a \$101.9 million decrease in State-paid retirement costs for county teachers, librarians, and community college faculty. Direct State aid for public schools accounts for \$469.3 million, or 81.7%, of this increase, and was 75.9% of total State aid in fiscal 2015. Though it accounts for only 7.7% of State aid in fiscal 2015, State aid to county and municipal governments increased by 42.8% during the term. Exhibits 14.2 and 14.3 show the change in State aid by governmental entity from fiscal 2011 to 2015.

Exhibit 14.2
State Aid to Local Governments
Fiscal 2011 and 2015
(\$ in Millions)

	<u>FY 2011</u>	<u>FY 2015</u>	<u>\$ Difference</u>	<u>% Difference</u>
Public Schools	\$4,865.0	\$5,334.4	\$469.3	9.6%
Libraries	48.7	50.8	2.1	4.3%
Community Colleges	224.4	257.0	32.6	14.5%
Health	37.3	46.9	9.6	25.7%
County/Municipal	380.6	543.7	163.0	42.8%
Subtotal – Direct Aid	\$5,556.0	\$6,232.7	\$676.7	12.2%
Retirement Payments	\$899.8	\$797.9	-\$101.9	-11.3%
Total	\$6,455.8	\$7,030.6	\$574.8	8.9%

Source: Department of Legislative Services

Exhibit 14.3
Annual Change in State Aid
Fiscal 2012-2015
(\$ in Millions)

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>Total</u>
Public Schools	\$80.5	\$140.0	\$121.0	\$127.8	\$469.3
Libraries	0.1	0.9	0.5	0.6	2.1
Community Colleges	6.0	4.7	8.1	13.8	32.6
Health	1.0	-1.0	4.5	5.1	9.6
County/Municipal	5.2	61.8	82.5	13.4	163.0
<i>Subtotal – Direct Aid</i>	<i>\$92.9</i>	<i>\$206.5</i>	<i>\$216.6</i>	<i>\$160.7</i>	<i>\$676.7</i>
Retirement Payments	-\$18.1	-\$72.5	-\$24.8	\$13.4	-\$101.9
Total	\$74.8	\$134.0	\$191.8	\$174.2	\$574.8

Source: Department of Legislative Services

Recent Trends in State Aid

The General Assembly has taken several actions in recent years, including during the 2011-2014 legislative term, to respond to considerable fiscal challenges. With respect to State aid to local governments, decisions in two key areas significantly alleviated pressures on the State budget. First, growth in the per-pupil foundation amount, which is a central factor in determining funding through major education aid programs, was frozen in fiscal 2012 and capped at 1% in subsequent years. Second, changes to State retirement plans and the funding of those plans, including sharing the cost of local employee retirement with local governments, have provided substantial State budgetary relief.

Per-pupil Foundation Amount

The majority of State education aid is distributed to local school systems through formulas that are based primarily on student enrollments and local wealth. The per-pupil foundation amount affects State funding under the foundation program; the geographic cost of education index; the compensatory education, special education, and limited English proficiency formulas; and the guaranteed tax base program. Chapter 2 of the 2007 special session held the per-pupil amount at the fiscal 2008 level of \$6,694 for fiscal 2009 and 2010 and capped annual increases to the lesser of two inflation rates (the implicit price deflator and the Consumer Price Index for All Urban Consumers for the

Washington-Baltimore metropolitan area) or 5%. The inflation measures used to determine the fiscal 2011 increase in the per-pupil amount showed no growth, so the fiscal 2011 target per-pupil foundation amount remained at the fiscal 2008 level for a fourth consecutive year. Chapter 484 of 2010 limited the increase in the per-pupil amount for fiscal 2013 through 2015 to the lesser of 1% and the two inflation rates. Chapter 397 of 2011, the Budget Reconciliation and Financing Act, prevented a 0.8%, or \$55 increase in the per-pupil foundation amount by holding it at \$6,694 in fiscal 2012 for a fifth consecutive year, resulting in a State aid reduction of approximately \$35.3 million in fiscal 2012 and \$41.4 million by fiscal 2015. Subsequent foundation increases for fiscal 2013 to 2015 averaged 0.8% annually due to inflation caps and low inflation.

Retirement Payments

Several changes in Chapter 397 of 2011 impacted State payments on behalf of local employees through the teachers' retirement program. State payments were reduced by \$79.9 million in fiscal 2012 due to benefit changes. This included a \$74.4 million reduction for local school employees, a \$1.2 million reduction for library employees, and a \$4.3 million reduction for community college employees. Also, beginning in fiscal 2012, local school boards and community college boards are charged a share of retirement system administrative costs based on the number of their employees who are members of the Teacher Pension System or Teachers' Retirement System. Consequently, State payments for teachers' retirement in fiscal 2012 were further reduced by \$15.9 million for local school boards and by \$758,000 for community college boards. The State continues to absorb the administrative costs associated with the local library boards.

Chapter 1 of the first special session of 2012, the Budget Reconciliation and Financing Act, phases in over four years (fiscal 2012 to 2016) the requirement that local employers pay the employer "normal cost" for active members of the Teacher Pension System/Teachers' Retirement System. Counties are required to increase their appropriations to the local school boards to fund these teacher retirement costs. The local government share in fiscal 2013 totaled \$136.6 million, which is equivalent to the reduction in State retirement payments from the previous statutory amount. Chapter 1 also initiated annual teacher retirement supplemental grants totaling \$27.7 million to lower-wealth counties (including Baltimore City) to help offset the impact of sharing teachers' retirement costs with the counties, beginning in fiscal 2013.

Chapter 397 of 2011 required the Governor to reinvest a portion of the savings generated by pension benefit changes by making supplemental State contributions into the State Retirement and Pension System of Maryland Trust Fund. For fiscal 2012 and 2013, all but \$120.0 million of the roughly \$300.0 million in savings was required to be reinvested in the trust fund. Beginning in fiscal 2014 and each year thereafter, the amount of the supplemental payment was subject to a \$300.0 million cap. Chapter 464 of 2014,

the Budget Reconciliation and Financing Act, reduced this mandated State retirement supplemental contribution from \$300.0 million to \$100.0 million in fiscal 2014 and 2015 and then increased the contribution by \$50.0 million annually until it reaches \$300.0 million in fiscal 2019 and thereafter, until certain conditions are met. In fiscal 2014, this resulted in a decrease of \$132.0 million in State aid on behalf of local government employees, including \$124.7 million for teachers' retirement, \$2.0 million for local librarians, and \$5.3 million for community college employees. Similarly, in fiscal 2015, State aid on behalf of local government employees was reduced by \$131.9 million, including \$124.6 million for teachers' retirement, \$2.0 million for local library employees, and \$5.2 million for community college employees.

Changes by Program

Exhibit 14.4 summarizes the distribution of direct aid by governmental unit and shows the estimated State retirement payments for local government employees in fiscal 2011 and 2015. Exhibit 14.5 compares total State aid in fiscal 2011 and 2015 by program.

**Exhibit 14.4
State Aid to Local Governments
Fiscal 2015 Legislative Appropriation
(\$ in Thousands)**

County	Direct State Aid					Retirement	Total	Change Over 2011	Percent Change
	County/ Municipal	Community Colleges	Public Schools	Libraries	Health				
Allegany	\$13,376	\$6,235	\$76,561	\$744	\$1,175	\$9,504	\$107,595	-\$3,412	-3.1%
Anne Arundel	30,690	31,597	330,265	2,101	3,939	67,586	466,179	53,480	13.0%
Baltimore City	261,545	0	913,427	6,053	8,365	72,437	1,261,826	64,341	5.4%
Baltimore	21,262	42,224	593,702	5,327	5,413	95,543	763,471	77,521	11.3%
Calvert	3,355	2,587	81,902	385	479	15,114	103,823	-5,047	-4.6%
Caroline	4,461	1,629	48,790	270	668	4,685	60,503	7,270	13.7%
Carroll	4,964	8,364	133,782	902	1,537	23,042	172,590	-7,480	-4.2%
Cecil	7,225	6,035	100,798	719	1,008	13,998	129,783	-741	-0.6%
Charles	3,668	8,782	161,746	920	1,244	23,567	199,927	12,054	6.4%
Dorchester	4,120	1,220	37,502	252	545	3,910	47,549	6,019	14.5%
Frederick	7,803	10,005	231,966	1,334	1,889	35,184	288,182	24,645	9.4%
Garrett	4,116	3,864	20,632	114	553	3,711	32,990	-4,272	-11.5%
Harford	6,697	11,556	202,901	1,450	2,171	32,745	257,520	-6,698	-2.5%
Howard	7,650	17,103	222,484	838	1,528	60,772	310,375	15,519	5.3%
Kent	1,096	586	9,626	81	427	2,037	13,853	-163	-1.2%
Montgomery	28,265	47,428	624,368	2,813	3,825	165,932	872,630	104,238	13.6%
Prince George's	70,398	27,666	1,001,170	6,759	6,297	101,741	1,214,031	125,224	11.5%
Queen Anne's	1,592	1,891	33,909	138	521	6,077	44,128	2,778	6.7%
St. Mary's	2,534	2,907	97,259	612	1,009	14,091	118,413	2,129	1.8%
Somerset	6,505	739	28,575	268	535	2,721	39,343	5,222	15.3%
Talbot	1,940	1,759	13,093	107	409	3,926	21,233	2,487	13.3%
Washington	6,809	9,005	165,081	1,172	1,720	19,259	203,045	25,308	14.2%
Wicomico	13,621	5,070	128,271	943	1,179	12,997	162,080	20,399	14.4%
Worcester	5,600	2,105	19,591	144	442	7,318	35,200	2,919	9.0%
Unallocated	24,399	6,679	56,960	16,323	0	0	104,360	51,045	95.7%
Total	\$543,692	\$257,033	\$5,334,358	\$50,769	\$46,879	\$797,896	\$7,030,628	\$574,785	8.9%

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

**Exhibit 14.4 (Cont.)
State Aid to Local Governments
Fiscal 2011 Actual
(\$ in Thousands)**

County	<i>Direct State Aid</i>							Subtotal	Retirement	Total
	County/ Municipal	Community Colleges	Public Schools	Libraries	Health	Health	Subtotal			
Allegheny	\$8,733	\$5,898	\$84,105	\$758	\$909	\$100,403	\$111,007	\$10,604	\$111,007	
Anne Arundel	9,320	28,694	293,093	1,913	3,142	336,163	412,699	76,536	412,699	
Baltimore City	225,649	0	875,196	6,461	6,675	1,113,982	1,197,485	83,503	1,197,485	
Baltimore	14,947	36,335	525,371	5,249	4,302	586,205	685,950	99,745	685,950	
Calvert	1,352	2,124	86,951	402	370	91,199	108,870	17,671	108,870	
Caroline	2,950	1,460	42,758	273	538	47,980	53,232	5,252	53,232	
Carroll	2,293	7,409	141,005	982	1,232	152,921	180,070	27,149	180,070	
Cecil	7,843	5,252	100,240	717	806	114,858	130,524	15,666	130,524	
Charles	2,577	7,041	150,772	791	995	162,175	187,873	25,698	187,873	
Dorchester	2,898	1,259	32,146	244	429	36,975	41,530	4,555	41,530	
Frederick	3,880	8,667	209,210	1,140	1,512	224,409	263,537	39,128	263,537	
Garrett	4,147	3,343	24,523	155	437	32,605	37,263	4,658	37,263	
Harford	3,472	10,240	210,056	1,548	1,737	227,053	264,218	37,165	264,218	
Howard	5,964	13,901	209,938	770	1,215	231,788	294,855	63,068	294,855	
Kent	638	578	9,922	96	336	11,570	14,016	2,446	14,016	
Montgomery	15,447	40,821	525,581	2,662	3,015	587,525	768,392	180,867	768,392	
Prince George's	41,767	22,412	880,482	5,648	5,007	955,317	1,088,807	133,491	1,088,807	
Queen Anne's	885	1,609	31,372	132	418	34,415	41,350	6,935	41,350	
St. Mary's	2,471	2,392	94,705	624	809	101,001	116,284	15,283	116,284	
Somerset	5,649	699	23,878	263	429	30,918	34,121	3,203	34,121	
Talbot	1,516	1,402	11,344	101	329	14,692	18,745	4,054	18,745	
Washington	2,996	7,857	144,411	1,128	1,381	157,772	177,737	19,965	177,737	
Wicomico	4,983	4,679	115,569	838	947	127,016	141,681	14,665	141,681	
Worcester	3,391	1,867	18,068	138	313	23,777	32,281	8,504	32,281	
Unallocated	4,874	8,463	24,321	15,658	0	53,316	53,316	0	53,316	
Total	\$380,644	\$224,401	\$4,865,016	\$48,690	\$37,283	\$5,556,034	\$6,455,843	\$899,809	\$6,455,843	

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

Exhibit 14.4 (Cont.)
State Aid to Local Governments
Dollar Difference Between Fiscal 2015 Legislative Appropriation and Fiscal 2011 Actual
(\$ in Thousands)

County	<i>Direct State Aid</i>							Retirement	Total
	County/ Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal			
Allegany	\$4,643	\$337	-\$7,544	-\$14	\$267	-\$2,312	-\$1,100	-\$3,412	
Anne Arundel	21,370	2,903	37,172	188	797	62,430	-8,950	53,480	
Baltimore City	35,895	0	38,231	-409	1,690	75,407	-11,066	64,341	
Baltimore	6,314	5,889	68,331	77	1,111	81,722	-4,201	77,521	
Calvert	2,004	462	-5,049	-17	110	-2,490	-2,557	-5,047	
Caroline	1,511	169	6,032	-4	129	7,838	-567	7,270	
Carroll	2,671	954	-7,223	-80	305	-3,373	-4,107	-7,480	
Cecil	-618	783	559	2	201	928	-1,669	-741	
Charles	1,091	1,740	10,974	129	249	14,185	-2,131	12,054	
Dorchester	1,222	-39	5,356	8	117	6,664	-645	6,019	
Frederick	3,922	1,338	22,757	194	377	28,589	-3,944	24,645	
Garrett	-31	521	-3,890	-40	116	-3,326	-946	-4,272	
Harford	3,225	1,316	-7,155	-98	433	-2,279	-4,419	-6,698	
Howard	1,686	3,202	12,546	68	313	17,815	-2,296	15,519	
Kent	459	8	-296	-15	92	246	-409	-163	
Montgomery	12,818	6,607	98,786	151	810	119,173	-14,935	104,238	
Prince George's	28,631	5,254	120,688	1,111	1,290	156,974	-31,750	125,224	
Queen Anne's	708	282	2,537	6	103	3,635	-857	2,778	
St. Mary's	63	515	2,554	-12	200	3,321	-1,192	2,129	
Somerset	856	40	4,697	4	106	5,704	-482	5,222	
Talbot	424	357	1,748	5	81	2,615	-128	2,487	
Washington	3,813	1,148	20,670	44	339	26,014	-706	25,308	
Wicomico	8,638	391	12,702	105	232	22,068	-1,669	20,399	
Worcester	2,209	239	1,523	6	129	4,105	-1,186	2,919	
Unallocated	19,525	-1,784	32,638	665	0	51,045	0	51,045	
Total	\$163,049	\$32,632	\$469,343	\$2,079	\$9,595	\$676,698	-\$101,913	\$574,785	

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

**Exhibit 14.4 (Cont.)
State Aid to Local Governments
Percent Change: Fiscal 2015 Legislative Appropriation over Fiscal 2011 Actual**

County	<i>Direct State Aid</i>						Retirement	Total
	County/ Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal		
Allegany	53.2%	5.7%	-9.0%	-1.9%	29.4%	-2.3%	-10.4%	-3.1%
Anne Arundel	229.3%	10.1%	12.7%	9.8%	25.4%	18.6%	-11.7%	13.0%
Baltimore City	15.9%	n/a	4.4%	-6.3%	25.3%	6.8%	-13.3%	5.4%
Baltimore	42.2%	16.2%	13.0%	1.5%	25.8%	13.9%	-4.2%	11.3%
Calvert	148.2%	21.8%	-5.8%	-4.1%	29.6%	-2.7%	-14.5%	-4.6%
Caroline	51.2%	11.6%	14.1%	-1.3%	24.1%	16.3%	-10.8%	13.7%
Carroll	116.5%	12.9%	-5.1%	-8.2%	24.7%	-2.2%	-15.1%	-4.2%
Cecil	-7.9%	14.9%	0.6%	0.3%	25.0%	0.8%	-10.7%	-0.6%
Charles	42.4%	24.7%	7.3%	16.3%	25.1%	8.7%	-8.3%	6.4%
Dorchester	42.2%	-3.1%	16.7%	3.4%	27.2%	18.0%	-14.2%	14.5%
Frederick	101.1%	15.4%	10.9%	17.0%	24.9%	12.7%	-10.1%	9.4%
Garrett	-0.8%	15.6%	-15.9%	-26.2%	26.4%	-10.2%	-20.3%	-11.5%
Harford	92.9%	12.9%	-3.4%	-6.3%	24.9%	-1.0%	-11.9%	-2.5%
Howard	28.3%	23.0%	6.0%	8.9%	25.8%	7.7%	-3.6%	5.3%
Kent	71.9%	1.3%	-3.0%	-15.7%	27.2%	2.1%	-16.7%	-1.2%
Montgomery	83.0%	16.2%	18.8%	5.7%	26.9%	20.3%	-8.3%	13.6%
Prince George's	68.5%	23.4%	13.7%	19.7%	25.8%	16.4%	-23.8%	11.5%
Queen Anne's	80.0%	17.5%	8.1%	4.8%	24.6%	10.6%	-12.4%	6.7%
St. Mary's	2.6%	21.5%	2.7%	-1.8%	24.7%	3.3%	-7.8%	1.8%
Somerset	15.2%	5.7%	19.7%	1.7%	24.6%	18.4%	-15.0%	15.3%
Talbot	27.9%	25.5%	15.4%	5.2%	24.5%	17.8%	-3.2%	13.3%
Washington	127.3%	14.6%	14.3%	3.9%	24.5%	16.5%	-3.5%	14.2%
Wicomico	173.3%	8.3%	11.0%	12.5%	24.5%	17.4%	-11.4%	14.4%
Worcester	65.1%	12.8%	8.4%	4.7%	41.1%	17.3%	-13.9%	9.0%
Unallocated	400.6%	-21.1%	134.2%	4.2%	n/a	95.7%	n/a	95.7%
Total	42.8%	14.5%	9.6%	4.3%	25.7%	12.2%	-11.3%	8.9%

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

Exhibit 14.5
Total State Aid to Local Governments
Fiscal 2011 and 2015

<u>Program</u>	<u>FY 2011</u>	<u>FY 2015</u>	<u>Difference</u>
Foundation Aid	\$2,762,670,493	\$2,882,444,199	\$119,773,706
Supplemental Program	46,496,416	46,620,083	123,667
Geographic Cost of Education Index	126,612,027	132,684,798	6,072,771
Net Taxable Income Education Grant	0	26,860,206	26,860,206
Foundation – Special Grants	0	593,055	593,055
Compensatory Education	1,041,059,587	1,251,675,638	210,616,051
Student Transportation – Regular	220,692,402	234,187,692	13,495,290
Student Transportation – Special Education	23,692,000	24,192,000	500,000
Special Education – Formula	263,975,411	271,702,888	7,727,477
Special Education – Nonpublic Placements	112,480,314	110,917,897	-1,562,417
Special Education – Infants and Toddlers	10,389,105	10,389,104	-1
Limited English Proficiency Grants	151,176,031	197,658,807	46,482,776
Guaranteed Tax Base	47,391,600	59,390,154	11,998,554
Aging Schools	6,108,997	6,108,986	-11
Teacher Development Grants	5,631,558	12,904,000	7,272,442
Adult Education	6,927,084	8,433,620	1,506,536
Food Service	7,156,664	11,236,664	4,080,000
Out-of-county Foster Placements	4,626,108	3,881,000	-745,108
Head Start	1,800,002	1,800,000	-2
Prekindergarten Expansion Program	0	4,300,000	4,300,000
SEED School	6,000,000	10,146,460	4,146,460
Judy Hoyer Centers	10,575,000	10,575,000	0
Other Programs	9,554,843	15,656,247	6,101,404
Total Primary and Secondary Education	\$4,865,015,642	\$5,334,358,498	\$469,342,856
Library Formula	\$33,032,330	\$34,446,211	\$1,413,881
Library Network	15,657,837	16,323,271	665,434
Total Libraries	\$48,690,167	\$50,769,482	\$2,079,315
Community College Formula	\$194,407,431	\$226,110,315	\$31,702,884
Grants for ESOL Programs	3,812,144	5,516,744	1,704,600
Optional Retirement	13,822,567	14,301,000	478,433
Small College Grants	3,896,346	4,426,335	529,989
Other Community College Aid	8,462,776	6,678,830	-1,783,946
Total Community Colleges	\$224,401,264	\$257,033,224	\$32,631,960

Exhibit 14.5 (Cont.)

<u>Program</u>	<u>FY 2011</u>	<u>FY 2015</u>	<u>Difference</u>
Highway User Revenue	\$139,346,370	\$169,686,146	\$30,339,776
Elderly and Handicapped Transportation	4,418,598	4,305,938	-112,660
Paratransit Grants	2,991,591	2,926,702	-64,889
Municipal Transportation Grant	0	16,000,001	16,000,001
Total Transportation	\$146,756,559	\$192,918,787	\$46,162,228
Police Aid	\$45,407,943	\$67,876,377	\$22,468,434
Fire and Rescue Aid	10,000,000	11,700,001	1,700,001
Vehicle Theft Prevention	1,665,310	1,860,000	194,690
9-1-1 Grants	13,402,948	14,400,000	997,052
Community Policing	1,974,000	1,974,000	0
Foot Patrol/Drug Enforcement Grants	4,228,210	4,228,210	0
Law Enforcement Training Grants	53,202	50,000	-3,202
Stop Gun Violence Grants	923,909	928,478	4,569
Violent Crime Grants	4,734,914	4,750,714	15,800
State's Attorney Grants	1,959,195	3,959,195	2,000,000
Domestic Violence Grants	196,353	196,354	1
War Room/Sex Offender Grants	1,445,312	1,445,313	1
Safe Streets Program	523,109	2,830,352	2,307,243
School Vehicle Safety Grant	576,324	550,000	-26,324
Body Armor	49,352	49,088	-264
Total Public Safety	\$87,140,081	\$116,798,082	\$29,658,001
Program Open Space	\$15,252,000	\$26,446,000	\$11,194,000
Critical Area Grants	264,779	243,900	-20,879
Total Recreation/Environment	\$15,516,779	\$26,689,900	\$11,173,121
Local Health Formula	\$37,283,484	\$46,878,532	\$9,595,048
Disparity Grant	\$121,436,013	\$135,797,163	\$14,361,150
Horse Racing Impact Aid	\$684,912	\$73,000	-\$611,912
Payments in Lieu of Taxes	1,020,754	1,123,928	103,174
Video Lottery Terminal Impact Aid	5,672,304	39,051,403	33,379,099
Instant Bingo	0	1,019,846	1,019,846
Senior Citizens Activities Center	416,270	500,000	83,730
Statewide Voting Systems	2,000,000	2,061,485	61,485
Teacher Retirement Supplemental Grant	0	27,658,661	27,658,661
Total Other Direct Aid	\$9,794,240	\$71,488,323	\$61,694,083
Total Direct Aid	\$5,556,034,229	\$6,232,731,991	\$676,697,762

Exhibit 14.5 (Cont.)

<u>Program</u>	<u>FY 2011</u>	<u>FY 2015</u>	<u>Difference</u>
Retirement – Teachers	\$849,836,102	\$738,575,043	-\$111,261,059
Retirement – Libraries	16,260,080	19,028,258	2,768,178
Retirement – Community Colleges	33,712,536	40,292,675	6,580,139
Total Payments-in-behalf	\$899,808,718	\$797,895,976	-\$101,912,742
Total State Aid	\$6,455,842,947	\$7,030,627,967	\$574,785,020

ESOL: English for Speakers of Other Languages

Source: Department of Legislative Services

Reliance on State Aid

State aid is the largest revenue source for many county governments in Maryland, accounting for 27.7% of total county revenues in fiscal 2013. In nine counties (Anne Arundel, Baltimore, Calvert, Carroll, Garrett, Kent, 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 17.6% of total revenues in Montgomery County but 51.3% in Caroline County. This difference is due to the fact that approximately 70% 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.

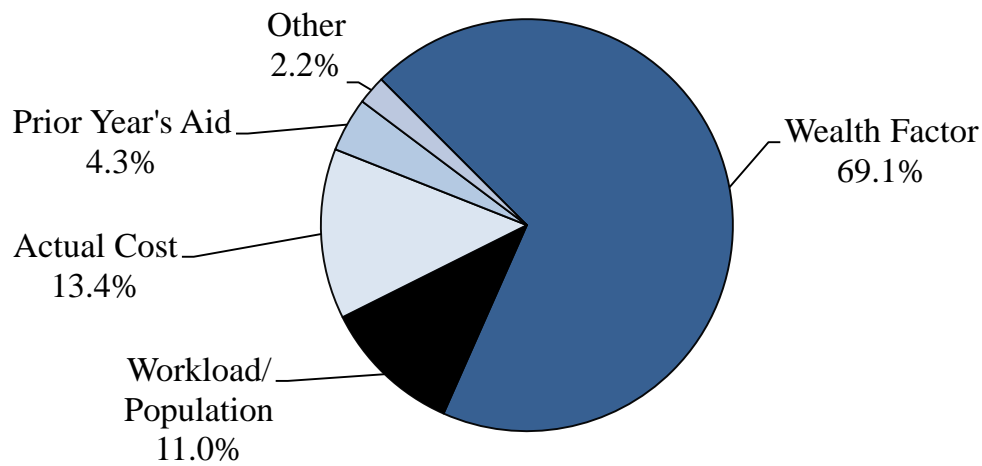
State aid is the fourth largest revenue source for municipalities, representing 4.4% of total revenues in fiscal 2013. As with counties, the reliance on State aid varies for municipalities, ranging from 0.6% of total revenues for the one locality in St. Mary’s County to 22.5% for localities in Somerset County. State aid to municipalities is targeted primarily to transportation, police and fire services, parks and recreation, and community development projects.

Distribution Basis for State Aid

The State utilizes nearly 80 programs to allocate funding to local governments. Programs that distribute funding inversely to local wealth accounted for about 69% of State aid in fiscal 2015. Most of these programs also base State aid on a workload measure, such

as school enrollment or population. In fiscal 2000, around 56% 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 14.6 shows State aid by the basis for distribution.

**Exhibit 14.6
State Aid by Basis for Distribution
Fiscal 2015**



**Trends
(\$ in Millions)**

	<u>FY 2000</u>	<u>% of Total</u>	<u>FY 2015</u>	<u>% of Total</u>
Wealth Factor	\$1,935.5	56.1%	\$4,860.0	69.1%
Workload/Population	697.0	20.2%	773.1	11.0%
Actual Cost	513.4	14.9%	940.5	13.4%
Prior Year's Aid	146.1	4.2%	299.5	4.3%
Other	158.3	4.6%	157.6	2.2%
Total	\$3,450.3	100.0%	\$7,030.6	100.0%

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 2015, the State capital and operating budgets authorized approximately \$537.1 million for State programs providing grants primarily to local governments. As Exhibit 14.7 shows, public school construction projects accounted for 57.6% of total capital funds earmarked for local projects in fiscal 2015, while environment and recreation programs accounted for 25.3%.

Exhibit 14.7
State Funding for Local Government Capital Projects
Fiscal 2015

	<u>Amount</u>	<u>Percent of Total</u>
Education		
Public School Construction	\$304,045,719	56.6%
Community College Projects	66,405,000	12.4%
Public Libraries	5,000,000	0.9%
Subtotal	\$375,450,719	69.9%
Environment and Recreation		
Chesapeake Bay Restoration Fund	\$96,000,000	17.9%
Chesapeake Bay Water Quality Funds	27,064,000	5.0%
Water Supply Financial Assistance Program	4,357,000	0.8%
Waterway Improvement Fund	2,266,440	0.4%
Community Parks and Playgrounds	2,499,000	0.5%
Hazardous Substance Cleanup	1,000,000	0.2%
Mining Remediation Program	500,000	0.1%
Subtotal	\$133,686,440	24.9%
Health/Social		
Strategic Demolition and Smart Growth Impact Project	\$7,500,000	1.4%
Community Health Facilities Grant Program	6,942,000	1.3%
Community Legacy Program	6,000,000	1.1%
Partnership Rental Housing Program	6,000,000	1.1%
Shelter & Transitional Housing Facilities	1,500,000	0.3%
Subtotal	\$27,942,000	5.2%
Total	\$537,079,159	100.0%

Source: Department of Legislative Services

Chapter 15. Education State Aid

The State and local school systems share responsibility for providing education services in Maryland. Statewide education 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. The 24 local boards of education, together with the local school superintendents, govern educational matters and oversee operations in local school systems and individual public schools.

Financial support for public schools is likewise a shared State and local responsibility. State support totaled \$6.0 billion in fiscal 2014, which was 49% of the \$12.2 billion in total operating revenues for public schools. Local boards of education develop local school budgets and oversee education-related spending; however, they are dependent on financing from county governments, mostly through local income and property tax revenues. In fiscal 2014, local governments provided 46% of total revenues for local school systems, and revenues generated by the local boards of education made up another 1% of total funding. The federal government also contributes a small percentage of aid for education, with federal aid representing approximately 5% of the total in fiscal 2014.

Bridge to Excellence in Public Schools Act

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 many small categorical programs while significantly increasing overall State support for schools.

State education aid increased from \$2.9 billion in fiscal 2002, the year before the Bridge to Excellence Act, to \$5.7 billion in fiscal 2011. This represented an increase of 98.1% in State support for public education and an average annual increase of 7.9%. The average annual increases outpaced the rate of general fund revenue growth, which averaged 3.4% over the same nine-year period.

Exhibit 15.1 shows State aid by major program for fiscal 2011 and 2015. Overall, State aid increased \$358.1 million, or 6.3%, during this time. Due to a series of changes beginning with the 2011 legislative session (discussed in Chapter 14 of this handbook), State support for teachers' retirement decreased by \$111.3 million, or 13.1% from fiscal 2011 to 2015.

Exhibit 15.1
State Education Aid by Major Program
Fiscal 2011 and 2015
(\$ in Millions)

<u>Education Aid Program</u>	<u>FY 2011</u>	<u>FY 2015</u>	<u>Percent Change</u>
Foundation Program	\$2,762.7	\$2,882.4	4.3%
Supplemental Grants	46.5	46.6	0.3%
Geographic Cost of Education Index	126.6	132.7	4.8%
NTI Education Grant	0.0	26.9	-
Guaranteed Tax Base	47.4	59.4	25.3%
Compensatory Education	1,041.1	1,251.7	20.2%
Special Education Formula	264.0	271.7	2.9%
Nonpublic Special Education	112.5	110.9	-1.4%
Limited English Proficiency	151.2	197.7	30.7%
Student Transportation	244.4	258.4	5.7%
Other Programs	68.8	96.0	39.6%
Direct Aid Subtotal	\$4,865.0	\$5,334.4	9.6%
Teachers' Retirement	849.8	738.6	-13.1%
Total	\$5,714.9	\$6,072.9	6.3%

Note: State aid for public schools in fiscal 2011 included \$422.3 million in federal American Recovery and Reinvestment Act funding.

NTI: Net Taxable Income

Source: Department of Legislative Services

However, the increase from fiscal 2011 to 2015 also includes growth of \$469.3 million, or 9.6%, in direct State aid. This funding is provided directly to local school systems for inclusion in their budgets. The largest increase in direct aid was for compensatory education aid, which grew by \$210.6 million, or 20.2%.

In addition to increasing State education aid, the Bridge to Excellence Act gave school districts more flexibility in how they use State funds. Nearly all direct aid is provided in the form of block grants that give school systems broad flexibility in the use of funds. To ensure that school systems are using State aid effectively, each school system must have an approved five-year comprehensive master plan that specifies how State, local, and federal funds will be used to improve student achievement and meet State and local educational standards.

Targeting Education Aid

Under the formulas established by the Bridge to Excellence Act, most State aid is distributed to local school systems based on student enrollments and local wealth. The formulas are designed to meet the instructional needs of the general student population and to target additional resources to school systems with large proportions of students who are at risk of falling behind academically. Enhanced targeting of aid was a primary goal of the Bridge to Excellence Act. The targeted funds are based on enrollment-driven formulas for three groups: (1) special education students; (2) students eligible for free and reduced-price meals; and (3) students with limited English proficiency.

Additional State aid supports other expenses for functions such as student transportation, food service, and school renovation. Exhibit 15.2 shows all fiscal 2015 State education aid programs divided into general education, targeted, and other aid categories. The individual aid programs are discussed in detail in *Volume IX – Education in Maryland* of this Legislative Handbook Series. Exhibit 15.3 shows the same three categories of aid by county for fiscal 2015.

Exhibit 15.2
Fiscal 2015 State Education Aid by Category

General Education Aid	
Foundation Program	\$2,882,444,199
Teachers' Retirement	738,575,043
Geographic Cost of Education Index	132,684,798
Guaranteed Tax Base	59,390,154
Supplemental Grants	46,620,083
NTI Education Grant	26,860,206
Specific Populations (Out of County)	3,881,000
Math/Science Initiatives	2,621,230
Foundation Special Grants	593,055
General Education Subtotal	\$3,893,669,768
Targeted Aid	
Compensatory Education	\$1,251,675,638
Special Education Formula	271,702,888
Limited English Proficiency	197,658,807
Nonpublic Special Education	110,917,897
Judy Hoyer	10,575,000
Infants and Toddlers	10,389,104
SEED School of Maryland	10,146,460
Prekindergarten Expansion	4,300,000
Head Start	1,800,000
Targeted Aid Subtotal	\$1,869,165,794
Other Aid	
Student Transportation	\$258,379,692
Quality Teacher Incentives	12,304,000
Food Service	11,236,664
Adult Education	8,433,620
Aging Schools Program	6,108,986
Healthy Families/Home Visits	4,590,667
Digital Learning	3,500,000
School Based Health Centers	2,594,803
Early College Innovation	1,404,915
Fine Arts Grants	731,530
National Board Certification Fees	600,000
Governor's Teacher Awards	96,000
Technology Wiring	42,102
Lacrosse Opportunities Grants	40,000
Smith Island Boat	35,000
Other Aid Subtotal	\$310,097,979
Total	\$6,072,933,541

Source: Department of Legislative Services

Exhibit 15.3
Fiscal 2015 State Education Aid by County
(\$ in Thousands)

County	General Education Aid	Targeted Aid	Other Aid	Total
Allegany	\$51,503	\$27,707	\$5,096	\$84,306
Anne Arundel	271,819	96,981	23,551	392,351
Baltimore City	538,656	421,279	23,683	983,617
Baltimore	452,409	195,991	31,694	680,094
Calvert	74,067	16,048	6,153	96,268
Caroline	31,810	18,269	3,031	53,110
Carroll	119,805	25,452	9,849	155,106
Cecil	77,820	30,490	5,536	113,846
Charles	132,850	39,379	11,379	183,608
Dorchester	25,095	13,024	3,068	41,187
Frederick	196,619	55,137	13,092	264,848
Garrett	14,080	6,168	3,552	23,801
Harford	167,027	52,343	12,888	232,259
Howard	215,769	45,864	16,923	278,556
Kent	5,676	3,999	1,831	11,506
Montgomery	499,239	237,073	42,017	778,329
Prince George's	663,680	391,292	41,078	1,096,050
Queen Anne's	27,624	8,107	3,848	39,578
St. Mary's	81,547	21,852	7,215	110,614
Somerset	17,111	11,531	2,487	31,129
Talbot	8,128	6,620	1,887	16,635
Washington	122,299	52,130	7,981	182,410
Wicomico	85,337	49,369	5,680	140,386
Worcester	13,300	9,829	3,251	26,380
Unallocated	400	33,232	23,328	56,960
Statewide	\$3,893,670	\$1,869,166	\$310,098	\$6,072,934

Source: Department of Legislative Services

Wealth Equalizing Aid

In addition to providing more funding to school systems with higher proportions of at-risk students, the Bridge to Excellence Act continued and expanded mechanisms to provide more funding to less wealthy jurisdictions. 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 among the counties. The State aid structure compensates for wealth 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%, and the State's share for more wealthy jurisdictions is lower than 50%.

Results of the State Education Aid Structure

Exhibit 15.4 shows how State aid per pupil is driven by each county's wealth and by the share of its student population that is identified as being at greater risk of performing below State standards. For example, the exhibit shows that Baltimore City had the second-lowest wealth per pupil in fiscal 2015 and the student population with the greatest needs. As a result, Baltimore City received the most direct State aid per student at \$11,511. Somerset County, with the fourth-lowest wealth per pupil in the State and a student population with relatively high needs, received the second-highest per pupil direct aid amount at \$10,479. Talbot and Worcester counties, which had the highest wealth per pupil figures in fiscal 2015, received the two lowest levels of direct State aid per pupil, at \$3,046 and \$3,135, respectively. Examining the needs of each county's student population and the wealth in each county helps to explain the relative amounts of State aid that each school system receives. School systems with high needs and low wealth receive the most State aid per pupil, while systems with high wealth and lower needs receive less aid per pupil.

Exhibit 15.4
Local Needs and Wealth and Direct State Aid Per Pupil
Fiscal 2015

At-risk Percentage			Wealth Per Pupil			Direct State Aid Per Pupil		
Rank	County	Percentage	Rank	County	Per Pupil	Rank	County	Per Pupil
1	Baltimore City	106.9%	24	Wicomico	\$283,502	1	Baltimore City	\$11,511
2	Somerset	91.7%	23	Baltimore City	285,568	2	Somerset	10,479
3	Prince George's	87.7%	22	Caroline	288,882	3	Caroline	9,320
4	Dorchester	76.9%	21	Somerset	295,023	4	Allegany	9,209
5	Wicomico	75.4%	20	Allegany	297,930	5	Wicomico	9,209
6	Caroline	73.2%	19	Washington	340,173	6	Prince George's	8,393
7	Allegany	72.2%	18	Dorchester	363,635	7	Dorchester	8,324
8	Kent	66.2%	17	Cecil	379,072	8	Washington	7,524
9	Baltimore	64.0%	16	Prince George's	382,263	9	Cecil	6,675
	State Avg.	62.2%	15	Charles	386,351		State Avg.	6,392
10	Washington	60.3%	14	Frederick	413,288	10	Charles	6,337
11	Worcester	59.3%	13	St. Mary's	433,004	11	Frederick	5,877
12	Montgomery	58.6%	12	Harford	451,161	12	St. Mary's	5,758
13	Garrett	57.7%	11	Carroll	452,370	13	Baltimore	5,689
14	Cecil	56.5%	10	Calvert	463,438	14	Harford	5,476
15	Talbot	55.9%		State Avg.	497,953	15	Garrett	5,450
16	Anne Arundel	46.2%	9	Baltimore	507,019	16	Calvert	5,176
17	Harford	44.4%	8	Howard	561,258	17	Carroll	5,156
18	Charles	43.9%	7	Queen Anne's	575,026	18	Kent	4,825
19	St. Mary's	42.5%	6	Anne Arundel	612,060	19	Queen Anne's	4,538
20	Queen Anne's	40.8%	5	Garrett	628,829	20	Anne Arundel	4,335
21	Frederick	40.4%	4	Montgomery	718,645	21	Howard	4,309
22	Calvert	33.4%	3	Kent	825,857	22	Montgomery	4,234
23	Howard	32.1%	2	Talbot	1,087,437	23	Worcester	3,135
24	Carroll	31.2%	1	Worcester	1,114,372	24	Talbot	3,046

At-risk percentage equals the sum of students with disabilities, students eligible for free and reduced-price meals, and students with limited English proficiency divided by the number of full-time equivalent (FTE) students. Because of overlap among these three at-risk populations, the figure may be greater than 100%. Per pupil measures are based on FTE.

Source: Department of Legislative Services

Public School Construction

Subject to final approval by the Board of Public Works, the Interagency Committee on School Construction manages State review and approval of local school construction projects. Each year, local systems submit to the committee a facilities master plan that includes an analysis of future school facility needs based on the current condition of school buildings and projected enrollment. The master plan must be approved by the local school board. Subsequently, each local school system submits a *Capital Improvement Plan* to the Interagency Committee on School Construction that includes projects for which it seeks planning and/or funding approval for the upcoming fiscal year. The request must be approved by the county's governing body.

Based on the relative merit of project proposals, and subject to the projected level of available funds, the committee makes funding recommendations to the Board of Public Works. Each year, the committee must recommend projects comprising 75% of the preliminary school construction allocation projected to be available by the Governor for the upcoming fiscal year. Local school boards may appeal the recommendations directly to the Board of Public Works. By March 1 of each year, the committee must recommend to the Board of Public Works and the General Assembly projects comprising 90% of the allocation for school construction submitted in the Governor's capital budget. Following the legislative session, the committee recommends projects comprising the remaining school construction funds included in the enacted capital budget for Board of Public Works approval.

The State pays at least 50% of eligible costs of school construction and renovation projects, based on a funding formula that takes into account numerous factors including each local school system's wealth and ability to pay. The Public School Facilities Act (Chapters 306 and 307 of 2004) requires that the cost-share formula be recalculated every three years. The Act also established the State's intent to provide \$2.0 billion of funding for school construction by fiscal 2013, an average of \$250.0 million each year for eight years. Public School Construction Program funding increased from \$125.9 million in fiscal 2005 to \$253.8 million in fiscal 2006, and has remained above the \$250.0 million target each year since, significantly increasing school construction assistance to local school boards. Thus, the State achieved the \$2.0 billion goal ahead of schedule. Exhibit 15.5 shows fiscal 2015 public school construction funding by county. For a more detailed discussion of public school construction funding, see *Volume IX – Education in Maryland* of this Legislative Handbook Series.

Exhibit 15.5
State Funding for Public School Construction
Fiscal 2015
(\$ in Thousands)

County	Total Authorizations
Allegany	\$6,597
Anne Arundel	36,200
Baltimore City	35,329
Baltimore	34,561
Calvert	2,653
Caroline	0
Carroll	3,915
Cecil	8,194
Charles	8,200
Dorchester	768
Frederick	15,901
Garrett	0
Harford	12,791
Howard	20,772
Kent	817
Montgomery	39,950
Prince George's	38,539
Queen Anne's	5,112
St. Mary's	11,876
Somerset	2,752
Talbot	0
Washington	7,467
Wicomico	10,991
Worcester	0
Statewide	660
Total	\$304,045

Source: Department of Legislative Services

Chapter 16. Library State Aid

Libraries are primarily a local function with most of their funding coming from county governments. The Division of Library Development and Services in 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 Free Central Library and the Library for the Blind and Physically Handicapped, both in Baltimore City; three regional resource centers; and metropolitan cooperative service programs.

From fiscal 2011 to 2015, State funding for local libraries increased by 7.5% as shown in Exhibit 16.1. The allocation of library aid in fiscal 2015 for each county is provided in Exhibit 16.2.

Exhibit 16.1 Library Aid Programs – Funding Trend (\$ in Millions)

<u>Aid Program</u>	<u>FY 2011</u>	<u>FY 2015</u>	<u>Percent Change</u>
Library Aid Formula	\$33.0	\$34.4	4.3%
State Library Resource Center	9.4	9.8	4.5%
Regional Resource Centers	6.2	6.4	4.0%
Other Library Network Programs	0.1	0.1	0.0%
Librarian Retirement	16.3	19.0	17.0%
Total	\$65.0	\$69.8	7.5%

Source: Department of Legislative Services

Exhibit 16.2
Library Aid Programs
Fiscal 2015

County	Formula Aid	Retirement	Total Aid	Per Capita Aid	Per Capita Ranking
Allegany	\$743,566	\$165,605	\$909,171	\$12	4
Anne Arundel	2,100,596	1,398,227	3,498,823	6	22
Baltimore City	6,052,829	2,246,586	8,299,415	13	1
Baltimore	5,326,500	2,493,863	7,820,363	10	11
Calvert	385,427	385,486	770,913	9	17
Caroline	269,917	141,873	411,790	13	3
Carroll	901,941	816,914	1,718,855	10	9
Cecil	719,312	405,439	1,124,751	11	6
Charles	920,218	475,518	1,395,736	9	14
Dorchester	252,314	57,575	309,889	9	12
Frederick	1,333,752	823,925	2,157,677	9	15
Garrett	114,153	105,570	219,723	7	20
Harford	1,450,044	1,290,696	2,740,740	11	7
Howard	838,404	1,957,912	2,796,316	9	13
Kent	80,741	76,289	157,030	8	18
Montgomery	2,813,185	2,667,853	5,481,038	5	24
Prince George's	6,759,078	1,897,377	8,656,455	10	10
Queen Anne's	138,123	148,710	286,833	6	23
St. Mary's	612,413	329,184	941,597	9	16
Somerset	267,688	70,282	337,970	13	2
Talbot	106,674	142,709	249,383	7	21
Washington	1,172,188	466,732	1,638,920	11	8
Wicomico	942,731	213,405	1,156,136	11	5
Worcester	144,418	250,528	394,946	8	19
Library Network	0	0	16,323,271	3	
Total	\$34,446,212	\$19,028,258	\$69,797,741	\$12	

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 was \$14.00 per resident in fiscal 2015 with a scheduled increase to \$15.00 per resident in fiscal 2016, phasing up to \$16.70 per resident in fiscal 2019. Overall, the State provides about 40% of the minimum program, while the counties provide 60%. Traditionally, counties have contributed more support for libraries than is required under the formula.

In fiscal 2015, State formula aid for libraries amounted to \$34.4 million. This represented a 4.3% increase since fiscal 2011 when State aid was \$33.0 million. The growth was due to a 4.5% increase in population.

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% State and 60% 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% 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 State 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%) multiplied by the per capita program level (\$14) 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 (\$14) and county population. For certain high-wealth counties, the calculation results in a State aid amount that is less than 20% of the per capita program funding level. For these counties, State aid is set at the 20% minimum funding level, or \$2.80 per county resident. In fiscal 2015, Howard, Montgomery, Talbot, and Worcester counties received the minimum State contribution. Exhibit 16.3 shows the library formula calculation for fiscal 2015.

Special Provisions

Any library expenditures in excess of the minimum program must be paid from local sources. Local governments may use up to 20% 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 \$4.00 to \$5.00, to take effect in fiscal 1980.
- 1982 Chapter 486 increased per capita funding from \$5.00 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 \$7.00 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.

- 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.
- 2008 Chapter 414 deferred the scheduled enhancements to the library aid formula for one year. The per capita funding level used to calculate the library aid formula remained at \$14.00 for fiscal 2009 and was scheduled to resume annual \$1.00 increases in fiscal 2010 and 2011.
- 2009 Chapter 487 held the per capita funding amount used in the local library aid formula at \$14.00 for fiscal 2010 and 2011. The phase-in of formula enhancements was scheduled to restart in fiscal 2012.
- 2010 Chapter 484 eliminated the scheduled fiscal 2013 increase from \$15.00 to \$16.00 in the per capita funding amount used in the local library aid formula.
- 2011 Chapter 397 set the per the per capita funding amount at \$14.00 for fiscal 2012 through 2016, phasing up to \$15.00 by fiscal 2019 and in subsequent years.
- 2014 Chapter 500 increased the per capita funding amount to \$15.00 in fiscal 2016, phasing up to \$16.70 per resident by fiscal 2019.

Legal Reference

Education Article, Sections 23-501 through 23-507

Exhibit 16.3
Library Aid Formula – Fiscal 2015

County	Population	Basic Program		Wealth	Local Share 0.0001111 ¹ x Wealth	Formula State Aid ²	Min. State Aid	
		\$14.00 x Population	\$280 x Population				\$280 x Population	State Aid ³
Allegany	74,012	\$1,036,168	\$2,633,680,648	\$292,602	\$743,566	\$207,234	\$743,566	
Anne Arundel	550,488	7,706,832	50,461,171,521	5,606,236	2,100,596	1,541,366	2,100,596	
Baltimore City	621,342	8,698,788	23,816,017,081	2,645,959	6,052,829	1,739,758	6,052,829	
Baltimore	817,455	11,444,370	55,066,333,803	6,117,870	5,326,500	2,288,874	5,326,500	
Calvert	89,628	1,254,792	7,825,068,202	869,365	385,427	250,958	385,427	
Caroline	32,718	458,052	1,693,380,433	188,135	269,917	91,610	269,917	
Carroll	167,217	2,341,038	12,953,164,533	1,439,097	901,941	468,208	901,941	
Cecil	101,696	1,423,744	6,340,521,071	704,432	719,312	284,749	719,312	
Charles	150,592	2,108,288	10,693,696,976	1,188,070	920,218	421,658	920,218	
Dorchester	32,551	455,714	1,830,780,146	203,400	252,314	91,143	252,314	
Frederick	239,582	3,354,148	18,185,385,183	2,020,396	1,333,752	670,830	1,333,752	
Garrett	29,854	417,956	2,734,503,795	303,803	114,153	83,591	114,153	
Harford	248,622	3,480,708	18,277,805,492	2,030,664	1,450,044	696,142	1,450,044	
Howard	299,430	4,192,020	30,950,290,477	3,438,577	753,443	838,404	838,404	
Kent	20,191	282,674	1,817,580,354	201,933	80,741	56,535	80,741	
Montgomery	1,004,709	14,065,926	109,797,151,923	12,198,464	1,867,462	2,813,185	2,813,185	
Prince George's	881,138	12,335,932	50,196,706,365	5,576,854	6,759,078	2,467,186	6,759,078	
Queen Anne's	48,595	680,330	4,880,350,119	542,207	138,123	136,066	138,123	
St. Mary's	108,987	1,525,818	8,221,465,743	913,405	612,413	305,164	612,413	
Somerset	26,253	367,542	898,773,050	99,854	267,688	73,508	267,688	
Talbot	38,098	533,372	5,242,329,130	582,423	-49,051	106,674	106,674	
Washington	149,180	2,088,520	8,247,812,823	916,332	1,172,188	417,704	1,172,188	
Wicomico	100,647	1,409,058	4,197,363,361	466,327	942,731	281,812	942,731	
Worcester	51,578	722,092	8,117,134,262	901,814	-179,722	144,418	144,418	
Total	5,884,563	\$82,383,882	\$445,078,466,491	\$49,448,219	\$32,935,663	\$16,476,776	\$34,446,212	

¹Local contribution rate equals the overall local share (60%) times the per capita program level (\$14) 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 2015, State funding was provided at \$1.67 per State resident, translating to \$9.8 million, with a scheduled increase to \$1.73 per resident in fiscal 2017, phasing up to \$1.85 in fiscal 2019.

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 received State funding of \$6.75 per resident of the region in fiscal 2015, which totaled \$6.4 million, with a scheduled increase to \$7.50 per resident in fiscal 2016, phasing up to \$8.75 per resident in fiscal 2019.

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 2011 to 2015.

Operating funds for the three systems are appropriated annually in the Maryland 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 16.4 shows the fiscal 2015 operating funds for the State library network, totaling \$16.3 million. Overall State aid for the State library network system increased by 4.2% since fiscal 2011. State aid for the State Library Resource Center increased 4.5%, State aid for the regional resource centers increased 4.0%, and funding for the library cooperatives and the interlibrary program did not change.

**Exhibit 16.4
State Library Network
Fiscal 2015 Appropriations**

<u>Program</u>	<u>Appropriation</u>
State Library Resource Center	\$9,827,220
Regional Resource Centers	
Eastern Shore	2,366,759
Southern Maryland	2,357,147
Western Maryland	1,708,161
Library Cooperatives	34,605
Interlibrary	29,479
Total	\$16,323,371

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.
- 2005 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.

- 2008 Chapter 414 deferred scheduled enhancements to the regional resource funding formula for one year. State funding for regional resource centers remained at \$6.50 per resident of each region in fiscal 2009 and was scheduled to resume annual increases of \$1.00 in fiscal 2010 and 2011.
- 2009 Chapter 487 decreased required funding for regional resource centers to \$6.75 per resident of the region in fiscal 2010 and 2011 rather than \$7.50 and \$8.50, respectively. Funding enhancements were scheduled to resume in fiscal 2012 and 2013. Per-resident State funding for the State Library Resource Center was reduced from \$1.85 to \$1.67, with a return to \$1.85 scheduled for fiscal 2012.
- 2010 Chapter 484 eliminated the scheduled fiscal 2013 increase for regional resource centers, holding the per-resident funding amount at \$7.50 for fiscal 2012 and thereafter.
- 2011 Chapter 397 set funding for regional resource centers at \$6.75 per resident of each region for fiscal 2012 through 2016, before phasing up to \$7.50 per resident in fiscal 2019. Chapter 397 also set State Library Resource Center funding at \$1.67 per resident for fiscal 2012 through 2016, before a phase in to \$1.85 by fiscal 2019.
- 2014 Chapter 500 increased per-resident funding for regional resource centers to \$7.50 in fiscal 2016, phasing up to \$8.75 per resident by fiscal 2019.

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.

Under Chapter 397 of 2011, State payments for library employees were reduced by \$1.2 million in fiscal 2012 due to benefit changes. Chapter 397 also initiated State reinvestment of a portion of the savings generated from the pension benefit changes by making supplemental State contributions into the State Retirement and Pension System of Maryland Trust Fund. Chapter 464 of 2014 reduced the mandated State retirement

supplemental contribution from \$300.0 million to \$100.0 million in fiscal 2014 and 2015 and then increased the contribution by \$50.0 million annually until it reaches \$300.0 million in fiscal 2019 and thereafter, until certain conditions are met. This resulted in a \$2.0 million decrease in State aid on behalf of local librarians in both fiscal 2014 and 2015.

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 is 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 2015 librarian retirement aid, which totaled \$19.0 million, is shown in Exhibit 16.2. Despite the recent changes, discussed above, this represents a \$2.8 million increase in funding since fiscal 2011.

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 Due to a 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% of librarians' retirement costs beginning with fiscal 1996.
- 1998 Chapter 530 provided a benefit enhancement for the members of the Teachers' Pension System.
- 2006 Chapter 110 provided a benefit enhancement for the members of the Teachers' Pension System and increased employee contributions to the systems to help pay for the enhancements.

- 2011 Chapter 397 curtailed retirement benefits for State and local employees, including members of the Teachers' Pension System, resulting in reduced State aid. Chapter 397 also mandated annual State retirement supplemental contributions.
- 2014 Chapter 464 reduced the mandated State retirement supplemental contribution from \$300.0 million to \$100.0 million in fiscal 2014 and 2015 and then increased the contribution by \$50.0 million annually until reaching \$300.0 million by fiscal 2019.

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 be less than \$20,000. Through fiscal 2013, the maximum State share of an approved county library project was 50%. Beginning in fiscal 2014, the State share percentage for an approved project is based on the per capita wealth measure used in calculating State aid formula grants for public libraries. The State share of the capital grant program is calculated by dividing the State aid formula grant amount by the full minimum program amount (*i.e.*, the combined State and local share under the State aid formula grant program) and multiplying the result by 1.25. However, the State share cannot be less than 50% or greater than 90%. A local public library system may apply for up to three capital project grants per year. Funding through the first eight years of the program totaled \$32.3 million, as shown in Exhibit 16.5.

Exhibit 16.5
Total Library Capital Grant Allocations
Fiscal 2008 to 2015

County	Total Authorizations
Allegany	\$270,000
Anne Arundel	600,800
Baltimore City	2,814,000
Baltimore	2,971,000
Calvert	0
Caroline	139,550
Carroll	1,526,000
Cecil	1,260,000
Charles	940,000
Dorchester	174,000
Frederick	583,000
Garrett	0
Harford	373,000
Howard	5,432,735
Kent	435,000
Montgomery	4,383,280
Prince George's	1,310,700
Queen Anne's	0
St. Mary's	0
Somerset	2,574,500
Talbot	1,240,000
Washington	4,453,935
Wicomico	776,000
Worcester	67,500
Total	\$32,325,000

Source: Department of Legislative Services

Legal Reference

Education Article, Section 23-510

For more detailed information on the organization and financing of the State's public libraries, including county funding for local libraries, see *Volume II – Government Services in Maryland* of the Legislative Handbook Series.

Chapter 17. Community College State Aid

With the exception of Baltimore City Community College, Maryland's community colleges are locally operated institutions, with oversight provided by the Maryland Higher Education Commission. Three community colleges – Chesapeake College, the College of Southern Maryland, and Wor-Wic Community College – serve regions of the State. Local community college boards of trustees oversee policy and operations with funding provided by State and local governments and generated through student tuition and fees. Baltimore City's local community college is operated by the State as a comprehensive urban community college. As a State agency, funding for Baltimore City Community College is not considered State aid and is excluded from the analyses in this chapter.

In fiscal 2013, local community colleges received a total of \$1.4 billion in restricted and unrestricted financial support: 19.5% from the State; 23.0% from county governments; 18.1% from grants and contracts (mostly federal funds for student Pell grants); and 8.1% from auxiliary enterprises and other miscellaneous revenue sources. Student tuition and fee payments comprised the remaining 31.4% of community college funding. As shown in Exhibit 17.1, State funding for community colleges increased 15.2% from fiscal 2011 to 2015. Exhibit 17.2 shows funding allocations by county.

Exhibit 17.1 Community College Aid Programs – Funding Trend (\$ in Millions)

<u>Aid Program</u>	<u>FY 2011</u>	<u>FY 2015</u>	<u>Percent Change</u>
Cade Funding Formula	\$194.4	\$226.1	16.3%
Small College Grants	3.9	4.4	13.6%
Statewide Programs ¹	8.5	6.7	-21.1%
ESOL Grants ²	3.8	5.5	44.7%
Regular Retirement Plan	33.7	40.3	19.5%
Optional Retirement Plan	13.8	14.3	3.5%
Total	\$258.1	\$297.3	15.2%

¹Funding includes the West Virginia/Garrett Reciprocity Grant and the Somerset Grant.

²ESOL: English for Speakers of Other Languages

Source: Department of Legislative Services

Exhibit 17.2
Community College Aid Programs
Fiscal 2015
(\$ in Thousands)

County	Cade Formula	Small Colleges	ESOL	Retirement	Total Aid
Allegany	\$4,927	\$1,125	\$1	\$1,775	\$7,828
Anne Arundel	29,322	0	459	5,918	35,699
Baltimore City	0	0	0	0	0
Baltimore	39,425	0	614	8,842	48,881
Calvert ²	2,404	0	1	545	2,949
Caroline ¹	1,414	88	42	308	1,852
Carroll	7,572	382	53	1,257	9,264
Cecil	5,276	382	6	916	6,580
Charles ²	8,160	0	2	1,849	10,011
Dorchester ¹	1,058	66	32	230	1,387
Frederick	9,111	0	194	2,178	11,484
Garrett	2,624	1,005	0	671	4,301
Harford	11,036	0	49	2,568	13,653
Howard	15,471	0	487	3,887	19,845
Kent ¹	509	32	15	111	666
Montgomery	40,853	0	2,507	13,371	56,730
Prince George's	26,009	0	925	5,696	32,630
Queen Anne's ¹	1,641	103	49	357	2,150
St. Mary's ²	2,702	0	1	612	3,314
Somerset ³	672	36	1	128	836
Talbot ¹	1,526	96	46	332	2,000
Washington	7,875	765	27	1,801	10,468
Wicomico ³	4,610	245	5	878	5,737
Worcester ³	1,914	102	2	364	2,383
Statewide Programs	0	0	0	0	6,679
Total	\$226,110	\$4,426	\$5,517	\$54,594	\$297,326

Regional Community Colleges: ¹Chesapeake College; ²College of Southern Maryland; ³Wor-Wic Community College

ESOL: English for Speakers of Other Languages

Source: Department of Legislative Services

Senator John A. Cade Funding Formula

The Senator John A. Cade Funding Formula, the largest community college aid program, was established in 1996 and was named for former Senator Cade in 1997. The State's annual contribution to the formula is determined by enrollment at community colleges and State funding received by public four-year institutions. Specifically, the Cade formula bases per pupil funding on a set statutory percentage of current year State appropriations per full-time equivalent student at selected public four-year institutions of higher education. The resulting community college per student amount is multiplied by the number of full-time equivalent students enrolled in the colleges in the second preceding fiscal year to identify a total formula amount.

Due to budget constraints, funding was reduced below statutory levels in every year from fiscal 2008 to 2015, except in fiscal 2014. The formula percentages were revised in the 2011, 2012, and 2014 legislative sessions (Chapter 397 of the 2011 session, Chapter 1 of the first special session of 2012, and Chapter 464 of the 2014 session). In addition, fiscal 2011 and 2012 funding levels were set in statute at \$194.4 million per year. The percentage used in the formula is scheduled to phase up to 29% in fiscal 2023. State aid through the Cade formula totaled \$226.1 million in fiscal 2015, representing a 16.3% increase over fiscal 2011 funding. The distribution of Cade formula funding is detailed in *Volume IX – Education in Maryland* of this Legislative Handbook Series.

Maintenance of Effort Provision

County appropriations to locally operated community colleges are governed in part by the maintenance of effort provision, requiring counties to provide as much funding for community colleges as they provided in the previous fiscal year. Counties must adhere to the maintenance of effort requirement in order to receive aid increases under the Cade formula. The maintenance of effort provision is detailed in *Volume IX – Education in Maryland* of this Legislative Handbook Series.

Legal Reference

Education Article, Sections 16-305 and 16-308

Community College Retirement

Qualifying local community college employees are eligible to be members of one of two defined benefit plans. The first plan, available to employees hired before 1980, is the State Teachers' Retirement System. The second is the State Teachers' Pension System, for employees hired since 1980. Both systems are maintained and paid for by the State and guarantee a monthly retirement allowance based on a predetermined formula.

The State also offers a defined contribution plan, the Optional Retirement System. Employees who are eligible for either the teachers' retirement or pension systems are also eligible for the Optional Retirement System. Under this program, the employee and employer both make contributions toward investment products whose performance determines the amount available to the employee upon retirement.

Under Chapter 397 of 2011, beginning in fiscal 2012, community college boards are charged a share of retirement system administrative costs based on the number of their employees who are members of the Teachers' Pension System or Teachers' Retirement System. Chapter 397 also initiated State reinvestment of a portion of the savings generated from pension benefit changes by requiring supplemental State contributions into the State Retirement and Pension System of Maryland trust fund.

Chapter 464 of 2014 reduced the mandated State retirement supplemental contribution from \$300.0 million to \$100.0 million in fiscal 2014 and 2015 and then increased the contribution by \$50.0 million annually until it reaches \$300.0 million in fiscal 2019 and thereafter, until certain conditions are met. This resulted in decreases in State aid on behalf of community college employees of \$5.3 million in fiscal 2014 and \$5.2 million in 2015. Fiscal 2015 State funding for regular retirement and optional retirement amounted to \$40.3 million and \$14.3 million; allocation of the total \$54.6 million is shown in Exhibit 17.2. See *Volume IX – Education in Maryland* of this Legislative Handbook Series for greater detail on State aid for community college retirement.

Legal Reference

Education Article, Section 16-306 and State Personnel and Pensions Article, Section 21-308

Community College Construction Grant Program

State assistance for construction and capital improvements at community colleges is provided through the Community College Facilities Grant Program in accordance with provisions of the Education Article and regulations approved by the Board of Public Works. State support is based on two criteria: (1) the percentage of a program eligible for State support; and (2) the State/local cost-sharing formula defined in statute.

Regional colleges may receive up to 75% State support while other community colleges may receive between 50% and 70% State support, depending on the wealth of the jurisdiction. Construction funds may be used to acquire, design, construct, renovate, or equip community college buildings. Community colleges eligible for funding through the grant program received \$65.4 million in fiscal 2015. Exhibit 17.3 shows the distribution

of funding to the colleges. Baltimore City Community College, as a State agency, receives full funding by the State for capital projects.

Exhibit 17.3
Authorized Capital Funding for Community Colleges
Fiscal 2015
(\$ in Thousands)

College	Total
Allegany	\$0
Anne Arundel	0
Baltimore	15,922
Carroll	0
Cecil	0
Chesapeake	19,918
Frederick	4,049
Garrett	0
Hagerstown	99
Harford	0
Howard	766
Montgomery	14,446
Prince George's	3,510
Southern Maryland	5,882
Wor-Wic	1,813
Subtotal	\$66,405
Program Fund Balance	-1,000
Total	\$65,405

Source: Department of Legislative Services

Legal Reference

Education Article, Section 11-105(j)

Other Community College Grant Programs

Community colleges receive additional support from several smaller grant programs. In fiscal 2015, the miscellaneous grant programs totaled \$16.6 million, a 2.8% increase from fiscal 2011.

Unrestricted Small College Grants

When the Cade Funding Formula began, it put a greater emphasis on enrollment as the basis for distributing funds and less of a focus on prior year funding. As a result, State funding to the smaller community colleges decreased. To account for this reduction, Chapter 105 of 1997 provided additional grants to seven small community colleges. In 1998, Chapter 570 required funding to equal \$2.0 million from fiscal 1999 to 2002.

Chapter 584 of 2000 increased the small college grants to \$2.5 million in fiscal 2003 and provided for annual inflationary adjustments after fiscal 2003. The increase is tied to the percentage increase in funding to public four-year institutions. In fiscal 2015, three colleges received \$382,387, one college received \$384,843, and four colleges received \$764,773. In addition, Chapter 350 of 2002 allowed Allegany College and Garrett College to receive annual unrestricted grants of \$360,000 and \$240,000, respectively, which are not increased for inflation. Small college aid totaled \$4.4 million in fiscal 2015.

Tuition Programs

For certain students, the State pays some or all of the difference between in-county and out-of-county or out-of-state tuition rates. Statewide programs (\$6.0 million in fiscal 2015) pay the difference between in-county and out-of-county or out-of-state tuition rates for students enrolled in health manpower shortage programs. The West Virginia/Garrett Agreement (\$59,995) allows students from West Virginia to attend Garrett College at in-county rates, with the State paying Garrett College an amount equal to full formula support for each full-time equivalent West Virginia student enrolled under the agreement. The Somerset Grant Program (\$618,835) allows students from Somerset County to attend Wor-Wic Community College at in-county rates, with the State paying half of the difference between in-county and out-of-county rates and Somerset County paying the other half.

English for Speakers of Other Languages

This program provides added State funding to community colleges based on enrollments of students in English for speakers of other languages programs at the community colleges. Each college receives \$800 per qualified full-time equivalent student. Chapter 658 of 2013 increased the annual State limit on program funding to \$8.0 million from the prior cap of \$6.0 million, and fiscal 2015 State aid for the program totaled \$5.5 million. Baltimore City Community College also receives State funding for students who do not speak English as their first language.

For more information on the State’s community colleges, including the legislative history of each community college aid program, see *Volume IX – Education in Maryland* of the Legislative Handbook Series.

Chapter 18. Public Safety State Aid

Local governments assume the primary responsibility for most public safety services in Maryland. County and municipal governments spent \$3.4 billion on public safety services in fiscal 2013, accounting for 11.4% of county spending and 23.7% of municipal spending. Public safety is the third largest component of county spending and the second largest component of municipal spending. To help local governments fund public safety services, the State provided \$116.8 million in financial assistance in fiscal 2015. Most of this funding is targeted to police protection, with funding for fire protection accounting for about 10% of State public safety aid. From fiscal 2011 to 2015, State funding for local public safety agencies increased by 34.0% as shown in Exhibit 18.1. The allocation of public safety aid in fiscal 2015 for each county is provided in Exhibit 18.2.

Exhibit 18.1
Public Safety Aid Programs – Funding Trend
(\$ in Millions)

Aid Program	FY 2011	FY 2015	Difference	Percent Difference
Police Aid Formula	\$45.4	\$67.9	\$22.5	49.5%
Targeted Crime Grants	16.7	21.0	4.3	25.8%
Vehicle Theft Prevention	1.7	1.9	0.2	11.7%
Fire Aid Formula	10.0	11.7	1.7	17.0%
9-1-1 Emergency Grant	13.4	14.4	1.0	7.4%
Total	\$87.1	\$116.8	\$29.7	34.0%

Source: Department of Legislative Services

Exhibit 18.2
Public Safety Aid Programs by County
Fiscal 2015

County	Police Aid	Fire Aid	Targeted/Other	Total Aid	Per Capita Aid	Per Capita Ranking
Allegany	\$868,313	\$263,912	\$0	\$1,132,225	\$15	11
Anne Arundel	6,894,774	950,548	0	7,845,322	14	12
Baltimore City ¹	0	1,070,217	10,367,614	11,437,831	18	7
Baltimore	9,978,210	1,348,069	0	11,326,279	14	14
Calvert	774,874	234,000	0	1,008,874	11	22
Caroline	346,044	242,452	0	588,496	18	8
Carroll	1,587,645	301,701	0	1,889,346	11	21
Cecil	1,012,996	241,141	0	1,254,137	12	18
Charles	1,308,652	288,648	0	1,597,300	10	24
Dorchester	383,484	243,362	0	626,846	19	3
Frederick	2,375,527	426,641	0	2,802,168	12	19
Garrett	228,160	234,000	0	462,160	15	10
Harford	2,826,344	443,932	0	3,270,276	13	17
Howard	3,624,404	468,702	0	4,093,106	13	16
Kent	207,470	239,924	0	447,394	22	2
Montgomery	15,719,189	1,520,126	0	17,239,315	17	9
Prince George's	14,438,303	1,321,950	5,260,902	21,021,155	24	1
Queen Anne's	429,199	234,000	0	663,199	14	15
St. Mary's	924,999	234,000	0	1,158,999	11	23
Somerset	247,236	243,698	0	490,934	19	6
Talbot	425,709	301,171	0	726,880	19	4
Washington	1,466,987	267,137	0	1,734,124	12	20
Wicomico	1,124,762	279,563	0	1,404,325	14	13
Worcester	683,096	301,107	0	984,203	19	5
Unallocated	0	0	21,593,188	21,593,188	4	
Total	\$67,876,377	\$11,700,001	\$37,221,704	\$116,798,082	\$20	

¹Baltimore City's share of police aid funding was reduced significantly beginning in fiscal 1992 due to the State assumption of the Baltimore City Detention Center and Central Booking Facility. In fiscal 1991, Baltimore City received \$37.7 million in police aid, or 45.9% of total State funding for police aid in that year.

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 Department of 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 sheriff's departments in these counties primarily support judicial functions such as courtroom security and service of process. In fiscal 2013, the most recent data available, county governments and Baltimore City spent \$1.5 billion on police protection and municipal governments spent \$222.3 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, gun violence reduction grants, and vehicle theft prevention grants). In fiscal 2015, State assistance to local law enforcement agencies totaled \$90.7 million. Almost all of these grants are administered by the Governor's Office of Crime Control and Prevention.

State Aid for Police Protection Fund (Police Aid Formula)

Grants are made to the counties and qualifying municipalities under the State Aid for Police Protection Fund (established in 1967) for the exclusive purpose of providing adequate police protection. Chapter 515 of 2008 transferred administration of the fund from the Department of State Police to the Governor's Office of Crime Control and Prevention.

In order for a municipality to qualify for grants, it 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 2015 State appropriation for the Baltimore City Detention Center and the central booking facility totaled \$150.2 million, of which \$148.9 million were State general funds.

Distribution

Essentially, the police aid formula distributes funds on a per capita basis. Exhibit 18.3 shows the allocation of police aid for each county in fiscal 2015. The components of the current formula are discussed below.

Share in Basic Expenditure: The State pays to each subdivision any police expenditures over 0.09% of its wealth base (net taxable income + adjusted assessable base) up to \$6 per capita. Inflation has made this calculation obsolete because 0.09% of every jurisdiction's wealth base exceeds the \$6 cap.

Share over Basic Expenditure: The State pays each subdivision 25% 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). This minimum grant applied to Garrett and Somerset counties in fiscal 2015. In addition, no subdivision with a population 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. This minimum grant applied to Allegany County in fiscal 2015.

Incentive Grant: The State pays each subdivision with a population density under 500 per square mile a grant of \$2 per capita. In fiscal 2015, this grant impacted 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.

Exhibit 18.3
State Aid for Police Protection (Police Aid Formula)
Fiscal 2015

County	County Amount	Municipal Amount	Total
Allegany	\$210,612	\$657,701	\$868,313
Anne Arundel	6,125,924	768,850	6,894,774
Baltimore City ¹	0	0	0
Baltimore	9,978,210	0	9,978,210
Calvert	707,640	67,234	774,874
Caroline	162,251	183,793	346,044
Carroll	881,306	706,339	1,587,645
Cecil	512,294	500,702	1,012,996
Charles	1,233,035	75,617	1,308,652
Dorchester	123,295	260,189	383,484
Frederick	1,048,642	1,326,885	2,375,527
Garrett	206,948	21,212	228,160
Harford	2,041,224	785,120	2,826,344
Howard	3,624,404	0	3,624,404
Kent	113,380	94,090	207,470
Montgomery	13,932,320	1,786,869	15,719,189
Prince George's	11,242,561	3,195,742	14,438,303
Queen Anne's	358,916	70,283	429,199
St. Mary's	913,112	11,887	924,999
Somerset	121,947	125,289	247,236
Talbot	124,079	301,630	425,709
Washington	668,819	798,168	1,466,987
Wicomico	395,804	728,958	1,124,762
Worcester	166,108	516,988	683,096
Total	\$54,892,831	\$12,983,546	\$67,876,377

¹Baltimore City's share of police aid funding was reduced significantly beginning in fiscal 1992 due to the State assumption of the Baltimore City Detention Center and Central Booking Facility. In fiscal 1991, Baltimore City received \$37.7 million in police aid, or 45.9% of total State funding for police aid in that year.

Source: Governor's Office of Crime Control and Prevention

Supplemental Grant: In accordance with Chapters 587 and 588 of 1996, the State pays each county and municipality 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

municipalities based on a locally negotiated formula. In addition, Chapter 265 of 2006 required 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 began in fiscal 2008.

Additional Grant: The State pays each subdivision an additional grant equal to the greater of 10% 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 received this grant in fiscal 2015.

Municipal Sworn Officer Grant: Each qualifying municipality (excluding Baltimore City) receives \$1,950 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 municipalities on the basis of relative police expenditures.

Crime Laboratory Reduction

The Budget Reconciliation and Financing Act of 2003 (Chapter 203 of 2003) directed the State to recover 30% of the State crime laboratory's costs related to evidence-testing services from local jurisdictions. Accordingly, by statute, each jurisdiction, beginning in fiscal 2004, has its police aid formula allocations reduced based on the jurisdiction's share of the total Part I crime in the State, and the remaining portion of the reduction 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 2015 totaled \$3.3 million.

Legal Reference

Public Safety Article, Sections 4-501 through 4-509

Targeted Crime Grants

State funding for targeted crime grants totaled \$21.0 million in fiscal 2015. Most of the funds were targeted to Baltimore City and Prince George's County, which lead the State in violent crime. Funding for safe streets, body armor, domestic violence, training, school vehicle safety, sex offender, and gun violence grants are provided on a statewide or

multi-jurisdiction 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 18.4 shows the level of State funding for these programs in fiscal 2015.

Exhibit 18.4
Targeted Crime Grant Funding
Fiscal 2015

	<u>Aid Amount</u>	<u>Percent of Total</u>
Baltimore City		
Foot Patrol	\$2,763,600	13.2%
Violent Crime	2,454,422	11.7%
Community Policing	1,974,000	9.4%
War Room	716,397	3.4%
State’s Attorney’s Office	<u>2,459,195</u>	<u>11.7%</u>
<i>Subtotal</i>	<i>\$10,367,614</i>	<i>49.5%</i>
Prince George’s County		
Drug Enforcement	\$1,464,610	7.0%
Violent Crime	2,296,292	11.0%
State’s Attorney’s Office	<u>1,500,000</u>	<u>7.2%</u>
<i>Subtotal</i>	<i>\$5,260,902</i>	<i>25.1%</i>
Statewide/Multi-jurisdiction		
Safe Streets	\$2,830,352	13.5%
Body Armor	49,088	0.2%
Domestic Violence	196,354	0.9%
Training Grants	50,000	0.2%
School Vehicle Safety	550,000	2.6%
Sex Offender	728,916	3.5%
Gun Violence Reduction	<u>928,478</u>	<u>4.4%</u>
<i>Subtotal</i>	<i>\$5,333,188</i>	<i>25.4%</i>
Total	\$20,961,704	100.0%

Source: Department of Legislative Services; *Fiscal 2015 State Budget Books*

Safe Streets

On February 21, 2008, the Governor, the Speaker of the House, the Mayor of Annapolis, the U.S. Attorney for Maryland, and local officials announced a comprehensive plan to reduce crime in Annapolis and signed a memorandum of understanding establishing the Capital City Safe Streets Coalition. Since then, the program has been expanded to

Cumberland, Frederick, Hagerstown, Salisbury, Baltimore City, Cecil County, and Harford County. The grant funding for this program totaled \$2.8 million in fiscal 2015.

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 about \$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. Funding for this grant began in fiscal 1993.

Drug Enforcement Grant

This grant provides \$1.5 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 annual appropriation of about \$200,000 to support law enforcement agencies' enforcement and investigation of domestic violence incidents in rural areas of Maryland.

Gun Violence Reduction Grant

This grant provides nearly \$1.0 million in funding to local law enforcement agencies and State's Attorney's 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.

Body Armor Grant

This grant provides \$49,100 to law enforcement agencies for the purchase of protective body armor for police officers.

Sex Offender and Compliance Enforcement in Maryland

The Sex Offender and Compliance Enforcement in Maryland Program provides resources to all 24 designated State law enforcement agencies responsible for the registration and re-registration of sex offenders in the offender registry. Current grant funding through the Governor’s Office of Crime Control and Prevention assists State and local law enforcement agencies in the enforcement of registration and compliance requirements. The fiscal 2015 grant amount was just over \$728,900.

School Bus Safety Enforcement Fund

The School Bus Safety Enforcement Fund assists law enforcement agencies in addressing the problem of drivers illegally failing to stop for school vehicles. The fund was established in fiscal 2000 and was administered by the Department of State Police until it was transferred to the Governor’s Office of Crime Control and Prevention by Chapter 87 of 2008. The fund consists of a portion of the fines assessed on uninsured motorists, investment earnings, and any other money deposited to the fund. It receives about \$600,000 from uninsured motorist penalties annually. State funding in fiscal 2015 for the School Bus Safety Enforcement Fund was \$550,000 (plus an additional \$50,000 for administrative purposes).

War Room and State’s Attorney’s Office Grants

The Baltimore City State’s Attorney’s Office received almost \$2.5 million in fiscal 2015 to assist in the prosecution of gun offenses and repeat violent offenders, and the city received an additional \$716,400 to offset expenses associated with operating its “war room,” which was launched in 2003 as a collaborative effort between the Baltimore City State’s Attorney’s Office and State Parole and Probation officials to collect and analyze information about repeat, violent offenders for use at their bail review hearings.

The Prince George’s State’s Attorney’s Office received \$1.5 million in fiscal 2015 to assist units that handle the investigation and prosecution of violent repeat offenders, community nuisances, and violation of probation cases.

Training Grants

The Police and Correctional Training Commissions distribute \$50,000 annually to support local law enforcement training.

Legal Reference

Annual Budget Bill

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) repealed the sunset date.

The Maryland Vehicle Theft Prevention Council, a unit within the Maryland State Police, is statutorily charged with assisting local jurisdictions with the highest incidence of vehicle thefts in prevention and deterrence efforts. Grants from the fund are made to "enhance and complement" existing resources.

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. State funding provided to local government through this program totaled \$1.9 million in fiscal 2015.

Distribution

The Vehicle Theft Prevention Council targets 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 awards grants based upon the review of applications submitted by various law enforcement and community organizations. Exhibit 18.5 shows a breakdown of grants awarded for fiscal 2013.

Legal Reference

Public Safety Article, Sections 2-701 through 2-703
Transportation Article, Section 17-106

Exhibit 18.5
Vehicle Theft Prevention Program
Fiscal 2013 Allocation

Anne Arundel County	
Anne Arundel County Police Department	\$45,000
Annapolis City Police Department	20,000
Baltimore City	
Baltimore City State’s Attorney	45,829
Community Conferencing Center	15,000
Northwest Citizens’ Patrol Group	25,000
Baltimore County	
Baltimore County Police Department	380,000
Baltimore County State’s Attorney	115,000
Charles County	
Charles County Sheriff’s Office	45,800
Harford County	
Harford County Sheriff’s Office	15,800
Howard County	
Howard County Police Department	140,000
Montgomery County	
Montgomery County Police Department	165,000
Prince George’s County	
Prince George’s County Police Department	160,000
Prince George’s County State’s Attorney’s Office	140,000
Olde Mill Foundation	15,000
Take Charge of Your Life Juvenile Diversion Program, Inc.	110,000
Maryland State Agencies	
MD State Police – Auto Theft Unit	125,803
MD Community Crime Prevention Institute	17,000
Vehicle Theft Prevention Council – Public Awareness	62,000
MD Motor Vehicle Administration	10,000
Other	
Industry Merged with Police Against Car Theft – IMPACT	11,000
Total	\$1,663,232

Source: Maryland Vehicle Theft Prevention Council, 2012 Annual Report

Fire Protection

Funding for fire protection in Maryland comes from three basic sources: (1) fundraising by individual fire companies; (2) local government contributions; and (3) 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 2013, county governments and Baltimore City spent \$932.8 million on fire protection and municipal governments spent \$49.0 million. State funding is provided through the Senator Amoss Fire, Rescue, and Ambulance Fund (\$11.7 million in fiscal 2015) and the Volunteer Company Assistance Fund (\$1.4 million in fiscal 2015). These State programs assist with the purchase of fire and rescue apparatus, capital equipment, and facilities.

Senator Amoss Fire, Rescue, and Ambulance Fund (Fire Aid Formula)

The State provides formula grants to counties, Baltimore City, and qualifying municipalities for local and volunteer fire, rescue, and ambulance services through the Senator William H. Amoss Fire, Rescue, and Ambulance Fund 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

State funding for this program has totaled \$10 million annually in recent years. Chapter 429 of 2013 increased the annual vehicle registration fee surcharge and expressed intent that the annual appropriation to the Amoss Fund increase to \$15 million by fiscal 2017. Fiscal 2015 funding totaled \$11.7 million. 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 municipalities 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 municipality must spend more than \$25,000 from municipal revenues for fire protection. Each county is guaranteed a minimum 2% share of the total funds, in addition to the amounts that are distributed to qualifying municipalities. Chapter 332 of 2013 requires

that each county distribute to volunteer fire, rescue, and ambulance companies either a percentage equal to the percentage of funds distributed to volunteer companies in fiscal 2011 or at least 51% of the allocation received, whichever is greater.

Special Provisions

Counties and municipalities 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, for rehabilitation of facilities to house equipment, to install life safety and fire protection systems, and to acquire specified land and other equipment for fire protection, rescue, and ambulance services. State grants may not be used for administrative or operating costs; fuel, utility, or routine maintenance costs of facilities or equipment; acquisition of fire hydrants or water mains; fundraising; insurance; or 9-1-1 emergency service. Chapter 225 of 2014 established waivers, including a rebasing waiver, for failure to meet maintenance of effort, and clarified that any penalty applies to the failure to meet requirements in the second prior fiscal year. A county that fails to maintain a level of specified local spending for fire protection services equal to the average expenditure for the three preceding fiscal years is subject to a State aid penalty equal to the percentage by which the county fails to maintain effort. County expenditures for fire protection must at least match the State aid.

Legal Reference

Public Safety Article, Sections 8-101 through 8-106

Volunteer Company Assistance Fund

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% match of the award amount, and loans from the fund may only be awarded to assist with up to 75% 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.

Beginning in 2006, a \$7.50 surcharge was attached to certain motor vehicle violations to help fund both the Volunteer Company Assistance Fund and the State Police Helicopter Replacement Fund. Subsequent legislation has expanded the list of eligible violations and altered the distribution of the collected surcharges.

For the purpose of making loans under these provisions, the Maryland State Firemen's Association must develop loan criteria and loan terms (including interest rates) and recommend the approval or denial of loans. The State's fiscal 2015 budget included \$2.6 million for the Volunteer Company Assistance Fund, of which \$1.4 million was available for grants to local fire companies.

Legal Reference

Public Safety Article, Sections 8-201 through 8-206
Courts and Judicial Proceedings Article, Section 7-301(f)

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. Chapter 425 of 2012 required the Emergency Number Systems Board to establish planning guidelines for Next Generation 9-1-1 Services system plans and deployment. Next Generation 9-1-1 refers to a system that allows call centers to receive voice calls, text, multimedia, and data using Internet Protocol-based network connectivity. All Maryland counties have enhanced 9-1-1 systems that are Wireless Phase II operational and Next Generation 9-1-1 enabled.

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 the use of both local and State 9-1-1 fees that are placed on telephone subscribers' monthly statements. This includes the 25-cent State "9-1-1 fee" and the local "additional charge" of up to 75 cents. Chapter 313 of 2013 established a 60 cent "prepaid wireless E 9-1-1 fee" on each prepaid wireless service retail transaction (15 cents State/45 cents local). The State and local fees go into the 9-1-1 Trust Fund that provides reimbursements to counties. Money collected from the State "9-1-1 fee" is used to reimburse counties for the cost of enhancing a 9-1-1 system. The county fee has covered

30% to 45% of the actual 9-1-1 center operating costs in recent years. The remaining funding must be covered by local revenues. State funding (from the State “9-1-1 fee” and from 25% of the “prepaid wireless E 9-1-1 fee”) to counties in support of local 9-1-1 emergency systems totaled \$14.4 million in fiscal 2015.

Legal Reference

Public Safety Article, Sections 1-301 through 1-313

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. Local correctional systems also handle those inmates awaiting trial and those awaiting transfer to State or federal custody. Persons sentenced in Baltimore City are generally incarcerated in State correctional facilities. The Baltimore City Detention Center, a State-operated facility, is used primarily for pretrial detention.

In order to meet the needs of growing inmate populations at the local level, the State pays a minimum of 50% 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% 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. From fiscal 2011 through 2015, the General Assembly authorized \$5.1 million for capital projects at local detention facilities; \$5.0 million for Cecil County in fiscal 2012, and \$50,000 for Wicomico in fiscal 2013.

Additional Information

For more detailed information on the organization of and fiscal relationship between the State and the counties with regard to the State’s public safety systems, see *Volume II – Government Services in Maryland* of the Legislative Handbook Series.

Chapter 19. 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 two airports (Baltimore Washington International Thurgood Marshall Airport in Anne Arundel County and Martin State Airport in Baltimore County), operates the Helen Delich Bentley Port of Baltimore, provides commuter rail service to both the Baltimore and Washington areas, 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 municipalities construct and maintain local roads and own and operate small regional airports. Baltimore City constructs and maintains all roads, except Interstate 95, within the city. In addition, Montgomery and Prince George's counties augment the Washington metropolitan area mass transit system and several other local governments provide modest transit services.

In fiscal 2015, local governments received \$169.7 million in State aid through highway user revenues and \$16.0 million through municipal transportation grants for the construction and maintenance of local roads. Local governments also received \$7.2 million for special transit grants. Exhibit 19.1 illustrates how State aid to local governments for transportation purposes increased by 31.5% between fiscal 2011 and 2015. Exhibit 19.2 shows the amount of State aid for local transportation programs in each county, including municipalities, and Baltimore City in fiscal 2015. For more information about the relationship between State and local transportation programs, see *Volume II – Government Services in Maryland* of the Legislative Handbook Series.

Exhibit 19.1
Transportation Aid Programs – Funding Trend
Fiscal 2011 and 2015
(\$ in Millions)

<u>Aid Program</u>	<u>2011</u>	<u>2015</u>	<u>Difference</u>	<u>Percent Difference</u>
Highway User Revenues	\$139.3	\$169.7	\$30.3	21.8%
Municipal Transportation Grants	0.0	16.0	16.0	NA
Elderly/Disabled Grants	4.4	4.3	-0.1	-2.5%
Paratransit Grants	3.0	2.9	-0.1	-2.2%
Total	\$146.8	\$192.9	\$46.2	31.5 %

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 two to four cents per gallon, the State began sharing these taxes with local governments. In 1968, the General Assembly approved legislation that established a 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 municipalities those revenues credited to the Gasoline and Motor Vehicle Revenue Account in the Transportation Trust Fund, more commonly referred to as “highway user revenues.” Currently, the revenues dedicated to the account include all or some portion of the motor vehicle fuel tax, vehicle titling tax, vehicle registration fees, short-term vehicle rental tax, and State corporate income tax.

**Exhibit 19.2
Transportation Aid Programs
Fiscal 2015**

County	Highway User Revenues	Municipal Grants	Elderly/Disabled	Paratransit	Total Aid	Per Capita Aid	Per Capita Ranking
Allegany	\$820,822	\$809,832	\$141,544	\$68,400	\$1,840,598	\$25	9
Anne Arundel	3,148,028	698,158	245,996	416,000	4,508,182	8	21
Baltimore City	136,102,428	0	379,335	0	136,481,763	219	1
Baltimore	4,004,521	0	395,836	0	4,400,357	5	24
Calvert	701,291	198,831	127,003	76,099	1,103,224	12	16
Caroline	511,026	286,110	120,217	40,000	957,353	29	6
Carroll	1,496,445	925,146	151,029	0	2,572,620	15	14
Cecil	833,388	463,297	134,073	0	1,430,758	14	15
Charles	1,034,239	264,130	137,609	175,848	1,611,826	11	18
Dorchester	574,998	329,211	122,724	50,000	1,076,933	33	3
Frederick	2,087,612	1,764,578	159,159	460,000	4,471,349	19	11
Garrett	629,723	262,429	119,664	0	1,011,816	34	2
Harford	1,690,629	775,904	170,371	40,592	2,677,496	11	17
Howard	1,531,557	0	162,520	430,000	2,124,077	7	23
Kent	295,694	170,016	120,217	0	585,927	29	5
Montgomery	4,712,706	2,546,645	379,108	0	7,638,459	8	22
Prince George's	4,257,842	3,276,302	332,819	446,663	8,313,626	9	20
Queen Anne's	560,814	109,824	122,064	0	792,702	16	13
St. Mary's	785,018	70,845	131,054	135,000	1,121,917	10	19
Somerset	327,969	122,127	117,447	96,667	664,210	25	8
Talbot	511,139	437,810	120,217	0	1,069,166	28	7
Washington	1,314,937	1,051,976	146,917	188,100	2,701,930	18	12
Wicomico	1,021,159	892,293	134,507	96,667	2,144,626	21	10
Worcester	732,161	544,537	134,508	206,666	1,617,872	31	4
Total	\$169,686,146	\$16,000,001	\$4,305,938	\$2,926,702	\$192,918,787	\$33	

Note: Highway User Revenues Column includes Municipal Aid.
Source: Department of Legislative Services

Distribution

Historically, highway user revenues have been distributed to the Transportation Trust Fund for the Maryland Department of Transportation's capital program, debt service, and operating costs and to the counties, Baltimore City, and municipalities to assist in the development and maintenance of local transportation projects. In recent years, a portion of highway user revenues has been redirected to the State's general fund to help balance the State's budget.

In response to the ongoing budget crisis facing the State at the time, the Budget Reconciliation and Financing Act of 2010 (Chapter 484) significantly reduced the share of highway user revenues distributed to the counties and municipalities, while increasing the portion going to the general fund. In accordance with Chapter 484, in fiscal 2011, the \$1.6 billion in highway user revenues were distributed as follows: \$1.1 billion (68.5%) to the department; \$377.1 million (23.0%) to the general fund; \$129.5 million (7.9%) to Baltimore City; \$8.2 million (0.5%) to counties; and \$1.6 million (0.1%) to municipalities. The following year, the Budget Reconciliation and Financing Act of 2011 (Chapter 397) divorced the relationship between highway user revenues and the general fund, reducing the distribution of highway user revenues to the general fund in fiscal 2012 and ending the distribution to the general fund in fiscal 2013. Exhibit 19.3 illustrates this transition and funding through fiscal 2015.

Baltimore City has generally received a larger share of highway user revenue than other local jurisdictions. This is because the State does not conduct highway maintenance or construction in Baltimore City (except for portions of I-95) as it does in the counties. As a result of the changes made by the Budget Reconciliation and Financing Act of 2011 to the highway user revenue allocations, the city's share of total highway user revenues is currently 7.7% each year, as shown in Exhibit 19.3.

Exhibit 19.3
Highway User Revenue Distribution
Fiscal 2012-2015
(\$ in Millions)

	Fiscal 2012		Fiscal 2013		Fiscal 2014		Fiscal 2015	
	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars
MDOT	79.8%	\$1,318.6	90.0%	\$1,445.4	90.4%	\$1,543.4	90.4%	\$1,597.9
General Fund	11.3%	186.7						
Baltimore City	7.5%	123.9	8.1%	130.1	7.7%	131.5	7.7%	136.1
Counties	0.8%	13.2	1.5%	24.1	1.5%	25.6	1.5%	26.5
Municipalities	0.6%	9.9	0.4%	6.4	0.4%	6.8	0.4%	7.1
Total	100%	\$1,652.3	100%	\$1,606.0	100%	\$1,707.3	100%	\$1,767.6

MDOT: Maryland Department of Transportation
Source: Department of Legislative Services

For other local jurisdictions, the share of highway user revenues is distributed to all counties and municipalities based upon road miles and vehicle registrations; the county share is based upon county only road miles and registrations and the municipal share is based upon municipal only road miles and registrations. Exhibit 19.4 shows the local highway user revenue distribution to counties in fiscal 2015, and Exhibit 19.5 shows the local highway user revenue distribution to municipalities in fiscal 2015.

**Exhibit 19.4
Highway User Revenues – County Distribution
Fiscal 2015**

County	A Road Mileage (Dec 2013)	C % of Road Mileage	D 50% Based on Road Mileage	F Vehicle Registration (Dec 2013)	G % of Total Registration	H 50% Based on Vehicle Registration	I Total Aid Distribution
Allegany	529.8	2.48%	\$329,414	38,195	1.01%	\$133,550	\$462,965
Anne Arundel	1,766.5	8.28%	1,098,240	498,001	13.14%	1,741,278	2,839,518
Baltimore City	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Baltimore	2,672.4	12.53%	1,661,465	670,108	17.67%	2,343,056	4,004,521
Calvert	532.7	2.50%	331,214	80,713	2.13%	282,216	613,429
Caroline	475.5	2.23%	295,603	25,452	0.67%	88,994	384,597
Carroll	979.8	4.60%	609,148	136,845	3.61%	478,483	1,087,632
Cecil	600.2	2.81%	373,152	73,075	1.93%	255,509	628,661
Charles	747.7	3.51%	464,850	129,463	3.41%	452,672	917,522
Dorchester	571.6	2.68%	355,354	21,212	0.56%	74,168	429,522
Frederick	1,287.2	6.04%	800,287	145,165	3.83%	507,574	1,307,861
Garrett	680.4	3.19%	423,037	25,946	0.68%	90,721	513,758
Harford	1,051.5	4.93%	653,729	198,492	5.24%	694,034	1,347,764
Howard	1,010.0	4.74%	627,951	258,429	6.82%	903,606	1,531,557
Kent	272.4	1.28%	169,327	14,654	0.39%	51,238	220,565
Montgomery	2,304.1	10.81%	1,432,504	616,285	16.25%	2,154,862	3,587,366
Prince George's	1,822.6	8.55%	1,133,143	479,598	12.65%	1,676,931	2,810,074
Queen Anne's	550.5	2.58%	342,285	48,619	1.28%	169,998	512,283
St. Mary's	623.8	2.93%	387,800	104,650	2.76%	365,912	753,712
Somerset	351.1	1.65%	218,292	15,933	0.42%	55,710	274,002
Talbot	374.5	1.76%	232,828	24,266	0.64%	84,847	317,675
Washington	837.6	3.93%	520,767	94,182	2.48%	329,311	850,078
Wicomico	693.9	3.25%	431,441	55,890	1.47%	195,421	626,862
Worcester	586.9	2.75%	364,898	36,218	0.96%	126,637	\$491,535
Statewide	21,322.7		\$13,256,730	3,791,391		\$13,256,730	\$26,513,460

Total Amount Available = \$26,513,460
 50% Based on Road Mileage = \$13,256,730 50% Based on Vehicle Registration = \$13,256,730
 C = A/B D = C x \$13,256,730 G = F/E H = G x \$13,256,730 I = D + H

Source: Department of Legislative Services; Maryland Department of Transportation

Exhibit 19.5
Highway User Revenues – Municipal Distribution
Fiscal 2015

County	Road Mileage (Dec. 2013)	Vehicle Registration (Dec. 2013)	Total Aid Distribution
Allegany	197.1	23,440	\$357,857
Anne Arundel	91.9	39,748	308,510
Baltimore City	0.0	0	0
Baltimore	0.0	0	0
Calvert	23.1	12,101	87,862
Caroline	63.6	9,784	126,429
Carroll	170.4	40,488	408,813
Cecil	82.3	21,027	204,727
Charles	46.8	12,035	116,717
Dorchester	77.9	10,090	145,476
Frederick	302.3	82,911	779,751
Garrett	65.6	7,170	115,965
Harford	133.9	36,229	342,865
Howard	0.0	0	0
Kent	36.1	6,251	75,129
Montgomery	356.6	139,623	1,125,340
Prince George's	545.3	157,951	1,447,768
Queen Anne's	18.7	5,187	48,530
St. Mary's	13.3	3,034	31,306
Somerset	28.5	3,835	53,967
Talbot	87.6	17,425	193,464
Washington	210.3	41,910	464,859
Wicomico	202.0	29,616	394,296
Worcester	118.0	19,386	\$240,626
Statewide	2,871.3	719,241	\$7,070,256

Source: Department of Legislative Services; Maryland Department of Transportation

Special Provisions

Additional special provisions governing the distribution and use of local highway user revenues are summarized below.

- In order to qualify for highway user revenues, a county, municipality, or Baltimore City must certify that the revenues will be used in compliance with all applicable laws. Municipalities 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 revert to the Transportation Trust Fund.
- Highway user revenues may be used by all jurisdictions for 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 purposes 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. Talbot County may expend funds to maintain and repair certain private dirt and gravel roads.
- The distribution of highway user revenue to local governments is 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.

Trends

Highway user revenues distributed to local governments have increased in recent years due to general revenue growth and a slight increase in the overall percentage of revenues distributed to local governments. The fiscal 2015 appropriation for local highway user revenues totaled \$169.7 million, \$30.3 million more than four years earlier in fiscal 2011, representing a 21.8% increase over this time period.

History of Major Changes

The distribution of highway user revenues has changed significantly over the past 45 years, as summarized in the timeline below.

- 1968 Formula for allocating the county and municipal share of highway user revenues established and highway user revenues distributed:
- 60% – State;
 - 20% – Baltimore City; and
 - 20% – Counties and municipalities.
- 1971 Maryland Department of Transportation established and highway user revenues redistributed:
- 65.0% – State;
 - 17.5% – Baltimore City; and
 - 17.5% – Counties and municipalities.
- 1978 Titling tax increased from 4% to 5%.
- 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% – State;
 - 15% – Baltimore City; and
 - 15% – Counties and municipalities.
- 1992 Motor fuel tax increased to 23.5 cents per gallon.
- 1996 Highway user revenues redistributed:
- 70% – State;
 - Greater of \$157.5 million or 11.5% plus 11.5% of any increase in local share – Baltimore City; and
 - Remaining local share – Counties and municipalities.
- 2000 Added short-term rental vehicle revenues to tax base.
- 2003 \$17.9 million transferred from local highway user revenues to the general fund in fiscal 2003.
- 2004 \$102.4 million transferred from local highway user revenues to the general fund in fiscal 2004; and registration fees were increased 87.0% to 89.0% for passenger cars, trucks, and sport utility vehicles.

- 2005 \$102.4 million transferred from local highway user revenues to the general fund in fiscal 2005; and the Department of General Services purchases of motor fuel are exempted from the State motor fuel tax resulting in a nominal decrease in local highway user revenues.
- 2006 \$22.7 million transferred from local highway user revenues to the general fund in fiscal 2006.
- 2010 Highway user revenues formula changed to allow for separate calculations for the county and individual municipal shares. The county and municipal shares are now calculated based upon each county's or municipality's road mileage and vehicle registrations as a percentage of the county and municipal statewide totals for each. Highway user revenues redistributed for fiscal 2010, resulting in a \$303.7 million general fund distribution:
- 70% – Maryland Department of Transportation;
 - 19.5% – General fund;
 - 8.6% – Baltimore City; and
 - 1.9% – Counties and municipalities.
- 2011 Highway user revenues redistributed for fiscal 2011, resulting in a \$377.1 million general fund distribution:
- 68.5% – Maryland Department of Transportation;
 - 23% – General fund;
 - 7.9% – Baltimore City; and
 - 0.6% – Counties and municipalities.
- 2012 Highway user revenues redistributed, resulting in a \$186.7 million general fund distribution:
- 79.8% – Maryland Department of Transportation;
 - 11.3% – General fund;
 - 7.5% – Baltimore City; and
 - 1.4% – Counties and municipalities.
- 2013 Highway user revenues redistributed:
- 90% – Maryland Department of Transportation;
 - 8.1% – Baltimore City; and
 - 1.9% – Counties and municipalities.

2014 Highway user revenues redistributed:

- 90.4% – Maryland Department of Transportation;
- 7.7% – Baltimore City; and
- 1.9% – Counties and municipalities.

Legal Reference

Tax-General Article, Title 2, Subtitles 6, 10, 11, and 13
Transportation Article, Title 8, Subtitle 4 and Sections 3-215, 3-216, 12-118, and 13-814

Municipal Grants and Pothole Repair

The Budget Reconciliation and Financing Act of 2013 (Chapter 425) included \$15.4 million in fiscal 2014 to fund transportation grants to municipal governments. Grants were allocated in a manner consistent with the Highway User Revenue formula. The fiscal 2015 State budget funded the municipal transportation grants for a second year (fiscal 2015) at \$16.0 million. Additionally, \$10.0 million in grant funding to counties in fiscal 2014 only for the purpose of pothole repairs was approved at the 2014 session; funding was distributed on the basis of county road miles.

Elderly/Disabled Transportation

The Secretary of Transportation is required to identify funds within the department's annual budget to be used for elderly and disabled transportation services in each county. Through the Statewide Special Transportation Assistance Program the Maryland Transit Administration complies with this requirement. Statewide Special Transportation Assistance Program funds, which are provided 100% from State transportation resources, are allocated as follows: 60% allocated equally to the counties and Baltimore City and 40% to the counties and Baltimore City based on the ratio of the elderly/disabled population in the jurisdiction to the statewide total. To receive these funds, counties must submit written applications and meet specified matching fund requirements. The fiscal 2015 State budget included \$4.3 million for this program.

Legal Reference

Transportation Article, Section 2-103.3

Paratransit Grants

The federal Americans with Disabilities Act requires local transit systems to provide paratransit services – transit designed specifically to accommodate disabled individuals. To comply with this federal requirement, the State allocates grant funds to local transit systems to help defray the costs of providing the paratransit services.

Distribution

The distribution of funds among the 15 participating counties (Allegany, Anne Arundel, Calvert, Caroline, Charles, Dorchester, Frederick, Harford, Howard, Prince George's, St. Mary's, Somerset, Washington, Wicomico, and Worcester) and two municipalities (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 million to \$4.0 million. The fiscal 2015 State budget included \$2.9 million for this program.

Legal Reference

Transportation Article – Section 2-103.5

Washington Metropolitan Area Transit Authority

The State provides an annual grant to the Washington Metropolitan Area Transit Authority 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% of the authority's 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% of Maryland's share of the authority's capital equipment costs and 100% 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. Chapter 111 of 2009 amended the Washington Metropolitan Area Transit Authority Compact to, among other things, require Virginia, Maryland, and the District of Columbia to make payments from a dedicated funding source to match up to \$1.5 billion in federal funds for the authority's capital and preventive maintenance projects. The fiscal 2015 State budget included \$285.6 million in operating assistance and \$144.3 million in capital assistance for the authority.

Legal Reference

Transportation Article – Title 10, Subtitle 2

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. While Baltimore City is excluded from this arrangement because most highways within the city limits are its responsibility, Baltimore City receives significant federal funding support through other programs. The counties use the State grants for highway construction.

Distribution

The estimated Transportation Trust Fund allocation to the counties for fiscal 2015 in lieu of federal Secondary and Urban Systems Funds was \$4.5 million. A breakdown of this funding for each county is presented in Exhibit 19.6.

Legal Reference

Transportation Article, Section 8-507

Exhibit 19.6
Estimated Federal Aid
Secondary and Urban Systems Funds
Fiscal 2015

County	Secondary	Urban Systems	Total
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: Department of Legislative Services; State Highway Administration

Chapter 20. 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. The State provides financial assistance to local governments for land conservation and recreation, water quality-related improvements, and other purposes through various programs and funding sources such as Program Open Space, the Bay Restoration Fund, and the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. This chapter describes these and various other programs and funds from which financial assistance is directed to local governments.

In fiscal 2015, local governments received \$26.7 million in State funding through three environmental aid programs: (1) Program Open Space; (2) the Baltimore City Special Program Open Space Grant; and (3) the Chesapeake and Atlantic Coastal Bays Critical Areas Grant. Local governments also receive funding from State agencies through various other, mostly capital, grant programs. In fiscal 2015, \$307.5 million in new State funding was anticipated to be available for those other programs, most of which was to be directed to local governments. Reduced transfer tax revenues and the diversion of a portion of Program Open Space funding toward the operation of State forests and parks contributed to a decrease in funding available for local Program Open Space efforts since fiscal 2007. However, funding for fiscal 2014 and 2015 increased somewhat over previous fiscal year funding. Exhibit 20.1 shows the change in State aid to local governments through Program Open Space and critical areas grants over the last four years. Exhibit 20.2 shows the allocation of that funding among the counties in fiscal 2015.

Exhibit 20.1
Environment and Recreation Aid Programs – Funding Trend
Fiscal 2011 and 2015
(\$ in Millions)

<u>Aid Program</u>	<u>2011</u>	<u>2015</u>	<u>Difference</u>	<u>Percent Difference</u>
Program Open Space	\$12.4	\$18.6	\$6.3	51.0%
Baltimore City Special Grants	2.9	7.8	4.9	169.0%
Critical Areas Grant	0.26	0.24	-0.02	-7.9%
Total	\$15.5	\$26.7	\$11.2	72.0%

Note: In order to avoid double counting, the fiscal 2011 and 2015 Program Open Space funding amounts do not include the \$41.8 million and \$4.1 million, respectively, that was provided to replace fund balance transfers. The \$7.8 million in fiscal 2015 Baltimore City Special Grant funding reflects \$1.5 million in operating funding, \$6.0 million for the construction of capital improvements to the Gwynns Falls/Leakin Park Urban Children in Nature Campus project, and \$300,000 for a grant to the Board of Directors of The Royal Theater and Community Heritage Corporation.

Source: Department of Legislative Services; Department of Natural Resources

Exhibit 20.2
Environment and Recreation Aid Programs by County
Fiscal 2015

County	Program Open Space	Critical Areas	Total Aid	Per Capita Aid	Per Capita Ranking
Allegany	\$207,500	\$0	\$207,500	\$3	18
Anne Arundel	2,246,000	14,000	2,260,000	4	6
Baltimore City	9,286,500 ¹	11,000	9,297,500	15	1
Baltimore	2,532,000	7,000	2,539,000	3	12
Calvert	223,500	18,000	241,500	3	21
Caroline	98,500	8,000	106,500	3	9
Carroll	502,500	0	502,500	3	16
Cecil	259,500	24,400	283,900	3	19
Charles	459,000	9,000	468,000	3	13
Dorchester	85,000	17,000	102,000	3	11
Frederick	529,000	0	529,000	2	24
Garrett	104,000	0	104,000	3	7
Harford	749,000	10,000	759,000	3	14
Howard	1,338,500	0	1,338,500	4	4
Kent	63,000	19,000	82,000	4	5
Montgomery	3,387,000	0	3,387,000	3	8
Prince George's	2,868,000	5,000	2,873,000	3	10
Queen Anne's	136,500	10,500	147,000	3	15
St. Mary's	253,500	10,000	263,500	2	23
Somerset	60,000	18,500	78,500	3	17
Talbot	143,500	24,500	168,000	4	3
Washington	394,500	0	394,500	3	22
Wicomico	263,500	12,000	275,500	3	20
Worcester	256,000	26,000	282,000	5	2
Total	\$26,446,000	\$243,900	\$26,689,900	\$5	

¹Includes \$1,486,500 in formula funding and \$7,800,000 in special grants.

Source: Department of Legislative Services; Department of Natural Resources

Program Open Space

Program Open Space provides dedicated funds for State and local parks and conservation areas. The program expedites 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. The program was established in 1969, and today over 6,100 individual county and municipal parks and conservation projects have been assisted by it. The Department of Natural Resources administers the program and allocates funding to both State and local projects.

Funding and Distribution

In the past, Program Open Space was funded primarily with State transfer tax revenue in most years. However, in recent years, transfer tax revenue funding for Program Open Space has been redirected or transferred, primarily to the general fund, and replaced with bond proceeds. Additionally, to relieve pressure on the general fund, Chapter 2 of the 2007 special session required that a portion of Program Open Space funding (20% of certain available funding, or \$21 million, whichever is greater), which previously was distributed to the local governments, be used for the operation of State forests and parks. Program Open Space also receives some federal funding.

In fiscal 2015, the local share of Program Open Space funding, \$18.6 million (not including \$4.1 million in replacement of a fund balance transfer and the \$7.8 million in Baltimore City special grants), made up 19% of approximately \$96.2 million in Program Open Space funding, which includes both special funds and general obligation bonds. Some local governments, however, benefit from the State's share of funding. Portions of the State's share, for example, are allocated to Baltimore City for park projects and to Ocean City for beach replenishment efforts. Up to \$8.0 million of the State's share of funding may also be transferred to the Rural Legacy Program, which provides funding to local governments and land trusts for land conservation.

The local share of Program Open Space funding is allocated among the local governments according to a formula established in 1982 that is based on past grant amounts, population change, and transfer tax revenue collections in each jurisdiction. Counties must submit an annual program of proposed acquisition and development projects to the Department of Natural Resources for approval each year. Legislators from the district within which any part of the local jurisdiction is located are given the opportunity to review and comment on the annual program prior to its approval. The annual program then becomes the basis for a grant agreement for the total allocation to each of the local

governing bodies. A county must also submit an updated land preservation, parks, and recreation plan every five years to the Department of Natural Resources and the Maryland Department of Planning for joint approval. The Department of Natural Resources, in consultation with the Maryland Department of Planning, also updates a Maryland Land Preservation and Recreation Plan (most recently updated in the spring of 2014).

Municipalities 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 over time and has been affected by numerous budgetary actions. State transfer tax revenue and unexpended balances have been redirected and transferred, primarily to the general fund, in recent years under budget reconciliation legislation, with the majority of redirected or transferred funding being replaced with bond proceeds. As shown in Exhibit 20.3, transfer tax funding associated with the local share of Program Open Space that has been or is authorized to be redirected or transferred over the course of fiscal 2010 through 2018 is replaced with general obligation bonds over the course of fiscal 2010 through 2020.

Exhibit 20.3
Program Open Space Local Share
Transfers and Replacements
(\$ in Millions)

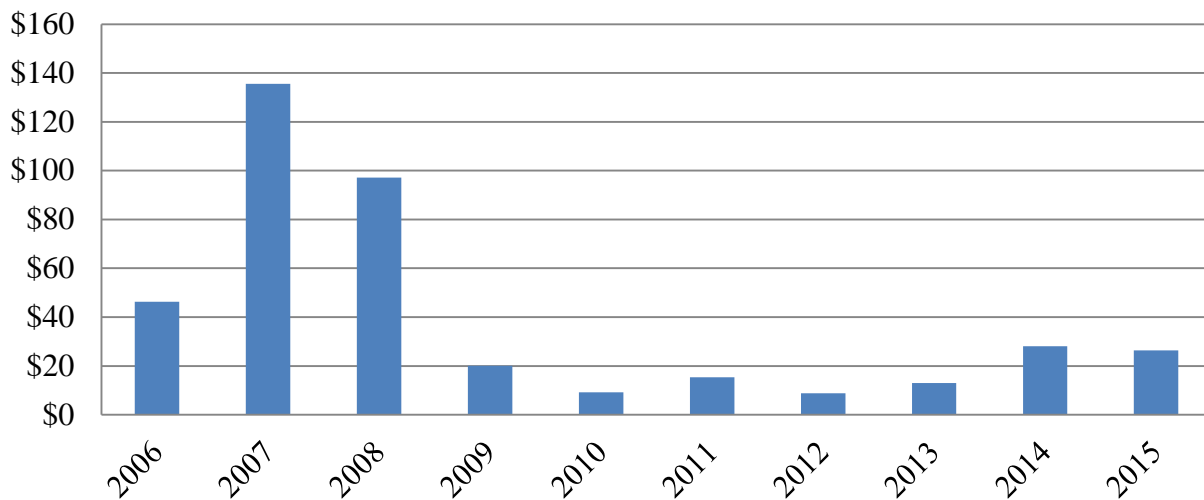
	Revenue/Balance Transfer		GO Bond Replacement
Fiscal 2010-2014	\$176.8	Fiscal 2010-2014	\$142.2
Fiscal 2015	43.5	Fiscal 2015	22.8
Fiscal 2016-2018	68.1	Fiscal 2016-2020	123.4
Total	\$288.4	Total	\$288.4

GO: general obligation

Source: Department of Budget and Management

From fiscal 2002 through 2006, appropriations for the local share of Program Open Space funding plus Baltimore City Program special grants averaged \$28.9 million. In fiscal 2007 and 2008, the funding increased significantly to \$135.6 million and \$97.1 million, respectively (see Exhibit 20.4) due to transfer tax revenues generating a record amount of funding. However, from fiscal 2009 through 2015, funding decreased again, averaging \$17.3 million, due to reduced transfer tax estimates, underattainment of transfer tax revenues (required by statute to be reconciled in subsequent fiscal year appropriations), and the shift of a portion of local Program Open Space funding (at least \$21.0 million per year) to the operation of State forests and parks.

Exhibit 20.4
Recent Local Program Open Space Funding
Fiscal 2006-2015
(\$ in Millions)



Note: Chapter 484 of 2010 transferred \$103.1 million in Program Open Space local transfer tax unexpended funds to the general fund. This funding was replaced over the following years with general obligation bonds but is not reflected above in order to avoid double counting the funding: fiscal 2011 (\$41.8 million), fiscal 2012 (\$16.7 million), fiscal 2013 (\$36.4 million), fiscal 2014 (\$4.1 million), and fiscal 2015 (\$4.1 million).

Source: Department of Legislative Services

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 established new requirements related to the funding of local acquisition and development projects, allowing local governments that meet or exceed acreage acquisition goals to use a greater portion of their funds for development projects.
- 1990 Chapter 63 made various changes to the program, including phasing out the cap on the program by fiscal 1996, expanding the allowable uses of the State's share of funding (to include capital improvements to State-owned land, among other uses), and requiring certain local Program Open Space funds that are unencumbered after five years from the original date of allocation to revert to the State and be reapportioned among the local governments in the next fiscal year. Chapter 63 also provided for over or underattainment of State transfer tax revenues (in relation to the revenue estimates used as the basis for budget appropriations) in a given fiscal year to be reconciled by an increase or reduction in the following year's allocations.
- 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% of the transfer tax to Program Open Space and related programs until fiscal 1998. Chapter 600 also required that reconciliation of over or underattainment of transfer tax revenues occur in the second, rather than the first, subsequent fiscal year. Chapter 601 authorized the Governor to transfer \$1 million in Program Open Space funds to the Maryland Heritage Areas Authority Financing Fund. Chapter 659 authorized the Department of Natural Resources to use up to 12.5% (\$800,000), in fiscal 1997 only, of the State's share of Program Open Space funds available for capital improvements, to operate State forests and parks.
- 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 forests and parks in fiscal 1998 and to use up to \$1.2 million for State forest and park operations in subsequent years. Chapters 757 and 758 established the Rural Legacy Program and altered the distribution of State transfer tax revenue among Program Open Space and related programs, providing for a percentage to be distributed to the Rural Legacy Program.

- 2001 Chapter 658 temporarily increased, from 75% to 100%, 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 as having attained its acreage acquisition goals. Chapter 658 terminated September 30, 2006.
- 2002-2005 As a result of budget reconciliation legislation in each of these years, \$479.2 million in State transfer tax revenue was redirected to the general fund from fiscal 2002 through 2006, limiting revenue available for Program Open Space and other land conservation programs. An additional \$39.8 million in fund balances from transfer tax-funded programs, including Program Open Space, was transferred to the general fund in fiscal 2002 and 2003 through budget reconciliation legislation. General obligation bonds were used to partially replace redirected transfer tax funding in fiscal 2004 and 2005.
- 2005 Chapter 473 required, among other things, that, beginning in fiscal 2012, previous transfers of State transfer tax revenue to the general fund, occurring in fiscal 2006 and subsequent years, be reimbursed under certain circumstances. Chapter 473 also required that in fiscal years in which revenue was transferred or appropriated to the general fund, any overattainment of revenue in the preceding fiscal year be allocated in the subsequent fiscal year among Program Open Space and other programs (the excess revenue would otherwise be allocated in the second subsequent fiscal year). Chapter 473 also specified that an existing required allocation of “a portion” of the State’s share of Program Open Space funding to Baltimore City for park projects be “at least \$1.5 million.” Chapter 209 increased the amount of Program Open Space funds authorized to be transferred to the Heritage Areas Authority Financing Fund from \$1 million to \$3 million. The Budget Reconciliation and Financing Act of 2005 (Chapter 444) authorized the use of up to \$2.5 million of the State’s share of Program Open Space funds to operate State forests and parks in fiscal 2006 only.
- 2007 Chapter 2 of the 2007 special session amended the allocation of Program Open Space funds to require that, of the funds remaining after any distribution to the Maryland Heritage Areas Authority Financing Fund, 20% or \$21 million, whichever is greater, be appropriated for the operation of the State’s forests and parks.

2008 Chapter 163 again temporarily increased from 75% to 100% 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 as having attained its acreage acquisition goals. Chapter 163 terminated May 31, 2010.

2009 The Budget Reconciliation and Financing Act of 2009 (Chapter 487) authorized the transfer of \$172.3 million in transfer tax funding to the general fund, but none of the transferred funds had been allocated for local Program Open Space projects. An equivalent amount of special and general obligation debt to replace the transferred funding was authorized through Chapter 419 of 2009 and the fiscal 2010 capital budget (Chapter 485 of 2009). Chapter 487 also required that, in fiscal 2011 through 2013, to the extent that additional bond proceeds were used to fund Program Open Space and other land conservation programs, an equivalent amount of State transfer tax funding be redirected from those programs to the general fund. The allocations of transfer tax funding to the general fund provided for under Chapter 487 were not subject to requirements established under Chapter 473 of 2005 that provide for reimbursement of State transfer tax revenue appropriated or transferred to the general fund in certain cases.

Chapter 206 authorized the use of local Program Open Space funds for both indoor and outdoor recreation and open space purposes, including the construction of indoor nature centers and indoor aquatic, golf, and community facilities. Funding had been used for indoor recreation projects prior to the enactment of Chapter 206, but uncertainty was raised regarding the consistency of those uses with the law.

2010 The Budget Reconciliation and Financing Act of 2010 (Chapter 484) authorized the transfer of \$211.6 million in transfer tax funding to the general fund, consisting of both unexpended prior year funding and fiscal 2011 funding for Program Open Space, the Rural Legacy Program, and the Maryland Agricultural Land Preservation Foundation. Unlike the Budget Reconciliation and Financing Act of 2009, a significant amount of the funding transferred under Chapter 484 (over \$100 million) was from the local share of Program Open Space funding. The fiscal 2011 capital budget (Chapter 483) authorized and pre-authorized the replacement of almost all of the transferred funding (including all of the local Program Open Space funding) with general obligation debt over the course of fiscal 2011 through 2013. Like the transfers authorized under Chapter 487 of 2009, the allocations of transfer tax funding to the general fund provided for under Chapter 484 were not subject to requirements established under Chapter 473 of 2005 that provide for reimbursement of State transfer tax revenue appropriated or transferred to the general fund in certain cases.

Chapter 372 amended Chapter 419 of 2009, which originally authorized up to \$70 million of special obligation debt (supported by transfer tax revenue), to allow for up to \$70 million of either special or general obligation debt to be incurred.

- 2011 The Budget Reconciliation and Financing Act of 2011 (Chapter 397) authorized the transfer of \$5.6 million in transfer tax revenues to the general fund in fiscal 2011 and the transfer of \$94.5 million in transfer tax revenues to the general fund in fiscal 2012 (including \$20.8 million from the local share of Program Open Space funding). Although not required by Chapter 397, the transferred funds were partially replaced over a three-year period (fiscal 2012 through 2014) with general obligation bonds.

Chapter 470 again increased the maximum percentage (from 75% to 100%) of Program Open Space funds that a local government may spend on development projects once it has attained its acreage acquisition goals. Additionally, Chapter 470 repealed a five-year limit on the period of time during which the Program Open Space funds may be used for such projects. Counties that qualified to use funds for development projects were required to use 25% of the funds only for land acquisition, repair or renovation of existing recreational facilities or structures, or capital renewal. Chapter 470 terminated on May 31, 2014.

- 2012 The Budget Reconciliation and Financing Act of 2012 (Chapter 1 of the first special session of 2012) authorized the transfer of \$96.9 million in transfer tax revenues to the Budget Restoration Fund in fiscal 2013 (including \$13.6 million from the local share of Program Open Space funding). The transferred funds were partially replaced over a three-year period (fiscal 2013 through 2015) with general obligation bonds.

Chapters 235 and 236 required the State to provide 90% of the total project funding when a local government builds a recreational facility, rather than acquires land, within a Priority Funding Area and limited the amount of impervious surface on the land to no more than 10%. The State must also provide 90% instead of 50% of the total project funding when a local government builds a recreational facility outside of a Priority Funding Area if the Department of Natural Resources makes specific determinations.

- 2013 The Budget Reconciliation and Financing Act of 2013 (Chapter 425) authorized the transfer of \$410.7 million of transfer tax revenue to the general fund over five years, beginning with fiscal 2014 (including \$23.7 million from the local share of Program Open Space funding in fiscal 2014). A multi-year replacement plan includes the use of general obligation bond funds to replace all but \$5.6 million (Natural Resources Development Fund funding) of proposed transfers via fiscal 2014 funding and pre-authorizations that span six years.
- 2014 The Budget Reconciliation and Financing Act of 2014 (Chapter 464) authorized the transfer of an additional \$69.1 million in transfer tax revenue to the general fund in fiscal 2015. In combination with actions taken in the Budget Reconciliation and Financing Act of 2013, a total of \$144.2 million in transfer tax funding was transferred to the general fund in fiscal 2015 in order to support the operating budget (including \$43.5 million from the local share of Program Open Space funding). The \$69.1 million of additional transferred funding is replaced over a three-year period (fiscal 2016 through 2018) with general obligation bonds.

Legal Reference

Natural Resources Article, Title 5, Subtitle 9
Tax-Property Article, Section 13-209

Chesapeake and Atlantic Coastal Bays Critical Area Grants

The Chesapeake and Atlantic Coastal Bays Critical Area Program is intended to foster more sensitive development activity for certain shoreline areas to minimize damage to water quality and natural habitats. The program is implemented cooperatively by the State, through the Critical Area Commission (within the Department of Natural Resources), and affected local governments. Local jurisdictions implement local critical area programs that are subject to regulations established by the Critical Area Commission and review and approval by the commission.

The Critical Area Commission provides grants to 16 counties (Anne Arundel, Baltimore, Calvert, Caroline, Cecil, Charles, Dorchester, Harford, Kent, Prince George's, Queen Anne's, St. Mary's, Somerset, Talbot, Wicomico, and Worcester), Baltimore City, and 37 municipalities to defray administrative costs of developing plans to improve conditions in the Chesapeake and Atlantic Coastal Bays under Section 8-1808 of the Natural Resources Article. In fiscal 2015, a total of \$243,900 in grants was allocated to those jurisdictions.

Other Environment/Recreation Programs

A number of other (mostly capital) State programs provide financial assistance to local governments. State funding for these programs totaled \$307.5 million in fiscal 2015, as shown in Exhibit 20.5.

Exhibit 20.5
Additional State Funding to Local Government Environment and
Recreation Programs
Fiscal 2015
(\$ in Millions)

<u>Aid Program</u>	<u>State Funding</u>
Maryland Agricultural Land Preservation	\$16.3
Rural Legacy	16.0
Community Parks and Playgrounds	2.5
Biological Nutrient Removal	21.2
Bay Restoration	96.0
Supplemental Assistance	5.9
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	25.0
Maryland Water Quality Revolving Loan	97.7
Shore Erosion Control	0.8
Maryland Drinking Water Revolving Loan	13.0
Water Supply Financial Assistance	4.4
Waterway Improvement	4.0
Energy Efficiency/Renewable Energy	4.8
Total	\$307.5

Note: Some of the programs provide funding to State agencies or other entities as well as local governments. Most of the overall funding, however, is directed to local governments. Federal funding is not included.

Source: Department of Legislative Services

Land Conservation and Recreation

Maryland Agricultural Land Preservation Program

The Maryland Agricultural Land Preservation Program, established in 1977, 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 (part of the Maryland Department of Agriculture), with the assistance and cooperation of landowners and local governments, purchases development rights easements as a means of protecting agricultural land and woodland production activities.

Half of the funds available to the Maryland Agricultural Land Preservation Foundation for the purchase of easements is initially distributed evenly among the 23 counties for “general allotted purchases.” The other half is divided among counties with an approved local agricultural land preservation program for “matching allotted purchases,” for which the local governments are required to provide matching funding of at least 40% of the value of each easement. “Round 1” offers are made based on competition for funds by applications within individual counties. General allotted funds are applied first to make Round 1 offers, and the matching funds are then applied to make Round 1 offers until either all the matching funds are depleted or no more offers can be made due to limited demand, limited county matching funds, or a \$2 million statutory limit on the amount of funding that can be provided as the State’s share for matching allotted purchases in any county in any fiscal year. When Round 1 offers are completed, the remaining easement applications compete statewide in “Round 2” for certain unused general allotted and State matching funds, including funds for initial offers to purchase that are not accepted.

Funding for this program has been derived from State transfer tax revenues, general obligation bonds, the agricultural land transfer tax, matching funds from counties, and federal funding. State funding budgeted for the program in fiscal 2015 totaled \$16.3 million. Budgeted county funding totaled \$8.5 million.

Rural Legacy Program

The Rural Legacy 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 secretaries of Natural Resources, Agriculture, and Planning. The program has been funded with State transfer tax revenues and general obligation bonds. In fiscal 2015, \$16 million was budgeted for the program.

Community Parks and Playgrounds Program

Established in 2001, the Community Parks and Playgrounds Program, administered by the Department of Natural Resources' Program Open Space, provides funding for the restoration of existing, and the creation of new, parks and green spaces in municipalities and Baltimore City. Originally the program also made funding available to counties; however, the program's scope was limited when it was codified in State law in 2008.

The program provides flexible grants to assist in rehabilitating, expanding, improving, or maintaining existing parks; creating new parks; or purchasing and installing playground equipment. Grants can also be used for environmentally oriented parks and recreation projects. While land acquisition costs are considered, highest priority is given to capital costs associated with park and playground development and improvement. To date, \$57.4 million has been approved for 594 park and playground projects. In fiscal 2015, \$2.5 million in general obligation bonds is provided for the program to fund 31 projects.

Water Quality

Biological Nutrient Removal Program

The Biological Nutrient Removal Program, started in 1985, provides grants to local governments to retrofit and upgrade wastewater treatment plants with biological nutrient removal technology to remove a greater portion of nutrients (nitrogen and phosphorus) from discharges. Biological nutrient removal technology is intended to achieve average wastewater effluent quality of 8 mg/l total nitrogen and is the first phase of upgrading wastewater treatment plants. The program is geared toward large (design capacity of 500,000 gallons per day or greater), publicly owned wastewater treatment plants, which make up the vast majority of sewage flow in Maryland.

The State is authorized in statute to provide grants of up to 100% of eligible costs, although the Maryland Department of the Environment limits grants to 50% of eligible costs as a matter of policy due to the magnitude of costs involved. For fiscal 2015, \$21.2 million in general obligation bonds was authorized for this program.

Bay Restoration Fund

The Bay Restoration Fund was created in 2004 (Chapter 428) to provide grants for enhanced nutrient removal upgrades at the State's major publicly owned wastewater treatment plants. Up to 100% of eligible costs attributable to upgrading a wastewater facility from biological nutrient removal to enhanced nutrient removal is available. Enhanced nutrient removal technology takes water that has gone through the biological nutrient removal process and further refines the effluent to lower nitrogen and phosphorus levels (to 3.0 mg/l and 0.3 mg/l, respectively). Similar to the Biological Nutrient Removal Program, priority is given to upgrades at publicly owned wastewater facilities with a design capacity of 500,000 gallons per day or greater. As of July 2014, 35 of 67 prioritized facilities had 100% completely operational enhanced nutrient removal technology. The remaining facilities were in various stages of the upgrade process. Of the 67 prioritized facilities, 64 are owned by local governments.

Enhanced nutrient removal grants are the fund's primary expenditure, but funds are also dedicated to septic system upgrade grants and the Maryland Department of Agriculture's Cover Crop Program. The septic system upgrade program is administered by the counties or other parties. The program gives priority to failing septic systems and sewage holding tanks located in the Chesapeake and Atlantic Coastal Bays Critical Area and then to failing systems that the Maryland Department of the Environment determines are a threat to public health or water quality. Through fiscal 2009, funds were also provided for sewer infrastructure grants, and from fiscal 2010 forward, funding is authorized to be used for a portion of the operation and maintenance costs related to the enhanced nutrient removal technology.

The fund is financed by a bay restoration fee of generally \$60 per year for most residents. As of July 30, 2013, \$628 million has been collected in fees from wastewater treatment plant and septic system users. In fiscal 2015, \$96 million is budgeted for the wastewater treatment plant and septic system upgrade programs.

Supplemental Assistance Program

Since 1984, the Supplemental Assistance Program has provided grant assistance to local governments for planning, designing, and constructing needed wastewater facilities throughout the State. Projects funded by the program include wastewater treatment plant upgrades; connection of failing septic systems in older established communities to public sewers; and correction/prevention of system deficiencies such as combined and sanitary sewer overflows. 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. In fiscal 2015, \$5.9 million in general obligation bonds was provided for this program.

Chesapeake and Atlantic Coastal Bays 2010 Trust Fund

The Chesapeake Bay 2010 Trust Fund was created by Chapter 6 of the 2007 special session. In 2008, the scope of the fund was expanded to include the Atlantic Coastal Bays, and the fund was renamed the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. The purpose of the fund is to provide funding for the implementation of nonpoint source pollution control projects to achieve the State's tributary strategy under the Chesapeake 2000 Agreement and improve the health of the Atlantic Coastal Bays and their tributaries. Funding is distributed through work and expenditure plans developed by the BayStat Program, which measures and evaluates efforts to restore the Chesapeake and Atlantic Coastal Bays and administers the fund. The administration of the BayStat Program is overseen by a BayStat Subcabinet, which includes the secretaries of Natural Resources, Environment, Planning, and Agriculture, among others. Funds may be distributed, among other means, through grants to local governments. The General Assembly expressed the intent that, when possible, money in the fund be granted to local governments and other political subdivisions for agricultural, forestry, stream and wetland restoration, and urban and suburban stormwater nonpoint source pollution control projects.

The fund has been financed with a portion of existing revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals as well as general obligation bonds. In fiscal 2015, at least \$25 million was directed toward local projects.

Chesapeake and Atlantic Coastal Bays Nonpoint Source Fund

The Chesapeake and Atlantic Coastal Bays Nonpoint Source Fund, administered by the Water Quality Financing Administration within the Maryland Department of the Environment, was created in 2008 (Chapters 120 and 121) to provide financial assistance for the implementation of urban and suburban stormwater management practices and stream and wetland restoration. Local governments may apply for funding, and grants are available for up to 100% of project planning, design, and construction costs.

The Chesapeake and Atlantic Coastal Bays 2010 Trust Fund is the Nonpoint Source Fund's primary source of revenue. The Nonpoint Source Fund last received an allocation of \$2.1 million from the 2010 Trust Fund in fiscal 2011.

Water Quality Revolving Loan Fund

The Water Quality Revolving Loan Fund, supported by both State and federal funding, was created in 1989 and provides low-interest loans to local governments and private persons or entities to finance water quality improvement projects. The Maryland Department of the Environment has also recently indicated the possibility of funding being used to provide guarantees or insurance that will lower the cost of stormwater remediation financing for local governments. Projects eligible for funding include wastewater treatment plants, failing septic systems, and nonpoint source projects such as urban stormwater control projects. The criteria for determining priority of projects are based on water quality and public health benefits. The fund is administered by the Water Quality Financing Administration within the Maryland Department of the Environment.

The fund is governed by both federal and State law and regulatory requirements. The State is required to match 20% of federal funds received. Loans must be made at or below market interest rates and must be fully amortized within 20 years of project completion. The local government must also establish a dedicated source of revenue to repay the loan. In fiscal 2015, \$130 million was provided for this program, including \$91.3 million in special funds (largely loan repayments and interest), \$32.3 million in federal funds, and \$6.5 million in general obligation bonds.

Shore Erosion Control Program

The Shore Erosion Control Program was established in 1968 and is administered by the Department of Natural Resources. The department is authorized to provide interest-free loans and grants to individual property owners, municipalities, and counties to complete eligible shore erosion control projects. The program has helped establish both structural shore erosion control projects (bulkheads, concrete walls, etc.) and nonstructural shore erosion control projects (protective vegetative buffers) in the past, but the emphasis of the program has since been shifted to nonstructural projects. The fiscal 2015 State operating budget appropriated \$840,000 in special funds for this program.

Water Supply

Maryland Drinking Water Revolving Loan Fund

The Maryland Drinking Water Revolving Loan Fund was established by the General Assembly in 1993 and provides financial assistance to local governments for drinking water system improvements. Eligible projects include drinking water treatment plant upgrades, water distribution mains, aging water infrastructure replacement, water storage facilities, and consolidation of existing water systems. The criteria for determining priority

of projects are based on the effect a project has or will have on public health. The fund is administered by the Water Quality Financing Administration within the Maryland Department of the Environment.

The fund is supported by both State and federal funding and is subject to similar federal and State law and regulatory requirements as those applicable to the Water Quality Revolving Loan Fund discussed above. Additionally, relaxed loan terms and loan subsidies are authorized for loans to disadvantaged communities. In fiscal 2015, \$22.0 million was provided for the program, consisting of \$10.4 million in special funds (largely loan repayments and interest), \$9.0 million in federal funds, and \$2.6 million in general obligation bonds.

Water Supply Financial Assistance Program

The Water Supply Financial Assistance 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, design, and improvement of publicly owned water supply facilities. Maximum grant assistance may not exceed 87.5% of the total eligible project cost, and a 12.5% 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 (such as the Drinking Water Revolving Loan Fund) to achieve project affordability. In fiscal 2015, \$4.4 million in general obligation bonds was authorized for this program.

Other Programs

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. It receives revenue from the 5% excise tax on the sale of vessels within the State, but revenue from the vessel excise tax has decreased in recent years due to decreased boat sales. Pursuant to Chapter 180 of 2013, the fund now also receives a small portion of motor fuel tax revenue. The fund provides financial support for projects such as dredging channels and harbors, marking channels and harbors, clearing debris and other obstructions, constructing and maintaining marine facilities, shore erosion control, and other projects. Some of the monies are used for grants and/or long-term, interest-free loans to local governments. In fiscal 2015, \$5 million in

new funding was provided for the program, consisting of \$4 million in special funds and \$1 million in federal funds.

Energy Efficiency/Renewable Energy Programs

The Maryland Energy Administration administers various programs that provide financial assistance for energy efficiency and renewable energy efforts undertaken by State and local governments, businesses, nonprofit organizations, and individuals. The programs are largely supported by funding generated from auctions of carbon dioxide emission allowances under the Regional Greenhouse Gas Initiative (deposited in the Maryland Strategic Energy Investment Fund). In February 2013, the Regional Greenhouse Gas Initiative announced changes to its program that began in calendar 2014, including a 45% reduction in the carbon dioxide emission allowance cap. The announced program changes had an immediate impact on the allowance price and number of allowances sold in Regional Greenhouse Gas Initiative auctions, increasing the revenue available in the Strategic Energy Investment Fund.

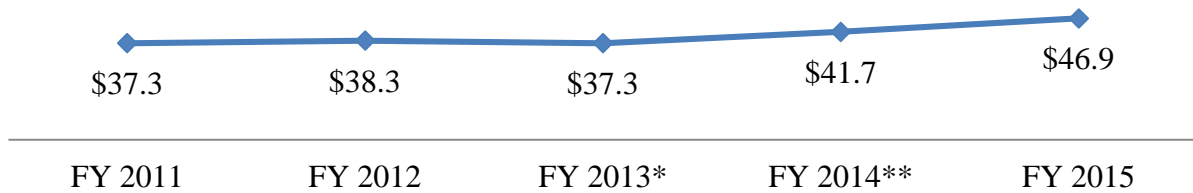
Programs that benefit local governments include the Jane E. Lawton Conservation Loan Program and the Maryland Smart Energy Communities Program. The Jane E. Lawton Conservation Loan Program provides financial assistance to nonprofit organizations, local jurisdictions, and eligible businesses for energy efficiency projects. Through fiscal 2013, the administration awarded over \$20.8 million in grants to 39 nonprofit organizations, 29 local governments, and 7 businesses. The loans generated savings totaling \$52.7 million. In fiscal 2015, \$1.75 million was allocated for the program.

In fiscal 2013, the Maryland Energy Administration launched the Maryland Smart Energy Communities Program. This program is designed to encourage county and municipal governments to adopt policies that promote clean and renewable energy and support the State's EmPower Maryland goals and Renewable Energy Portfolio Standard. Local governments are eligible for grant funding to complete energy efficiency programs, renewable or clean energy programs, or sustainable transportation programs if those types of policies are adopted. As of May 2014, 26 incorporated municipalities, 7 counties, and Baltimore City participated in the program. In fiscal 2015, \$3 million was allocated for this program.

Chapter 21. 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 nonstatutory formula. Following the Case Commission recommendations, the State calculated minimum budgets for each local health department and annual budget bill language specified the determination of State/local shares of each local health department's minimum budget. Under this nonstatutory budget process, State funding peaked at \$47.8 million in fiscal 1990 before falling – with the onset of the State's fiscal crisis in fiscal 1991 – to \$32.5 million in fiscal 1992 and \$14.6 million in fiscal 1993. Funding requirements were subsequently established in statute, and the current statutory funding requirements serve as the basis for the Core Funding Program. In fiscal 2015, State funding will total \$46.9 million as illustrated in Exhibit 21.1. A county-by-county allocation for fiscal 2015 is provided in Exhibit 21.2.

Exhibit 21.1
Local Health Aid – Funding Trend
(\$ in Millions)



*Excludes special funds for 2013 COLA.

**Includes \$1.7 million for 2014 COLA.

Source: Department of Legislative Services

Core Funding Program

Beginning in fiscal 2013, each county receives at least the amount of State funding for health services as it received in fiscal 2012. Funding is adjusted annually for inflation and statewide population growth for the second preceding fiscal year. The annual adjustment is generally allocated to each county based on its percentage share of State funds distributed in the previous fiscal year. The need to address a substantial change in community health need, as determined by the Secretary of Health and Mental Hygiene may also affect allocations of the annual adjustment.

Exhibit 21.2
Local Health Grants – Core Funding Program
Fiscal 2015

County	Total Aid	Per Capita Aid	Per Capita Ranking
Allegany	\$1,175,449	\$16	6
Anne Arundel	3,939,123	7	19
Baltimore City	8,364,696	13	7
Baltimore	5,413,478	7	21
Calvert	479,441	5	22
Caroline	667,708	20	2
Carroll	1,536,881	9	14
Cecil	1,007,587	10	12
Charles	1,243,937	8	17
Dorchester	545,446	17	5
Frederick	1,889,406	8	18
Garrett	553,050	19	4
Harford	2,170,722	9	15
Howard	1,528,087	5	23
Kent	427,445	21	1
Montgomery	3,824,636	4	24
Prince George's	6,296,994	7	20
Queen Anne's	520,563	11	11
St. Mary's	1,008,557	9	13
Somerset	535,070	20	3
Talbot	409,378	11	10
Washington	1,719,850	11	9
Wicomico	1,179,498	12	8
Worcester	441,530	9	16
Total	\$46,878,532	\$8	

Source: Department of Legislative Services

The Core Funding Program is administered by the Department of Health and Mental Hygiene's Health Systems and Infrastructure Administration. The allocation of funds provided through the program is determined by priorities established by the local health

department. These priorities are based upon seven broad permissible service areas defined in law:

- communicable disease control;
- environmental health;
- family planning;
- maternal and child health;
- wellness promotion;
- adult and geriatric health; and
- administration and communication.

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 control includes programs to control the spread of sexually transmitted disease, tuberculosis, and HIV, as well as to expand immunization levels among children. Administration and communication 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

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 (formula adjustment factor). More recently, due to budget constraints and cost-cutting measures, the fiscal 2010 appropriation was reduced to \$37.3 million, which was below the fiscal 1997 mandated funding level. During the 2010 session, the statute underlying the health aid formula was amended to rebase the formula at the fiscal 2010 level for fiscal 2011 and 2012.

For fiscal 2013 and each subsequent fiscal year, the formula adjustment factor was to be applied to the \$37.3 million base level. However, due to budget constraints, there was no adjustment factor applied until fiscal 2014. There was \$1.0 million added to the funding in fiscal 2012 for a one-time \$750 bonus for State employees. The fiscal 2013 budget included \$0.8 million in special funds for the 2013 cost-of-living adjustment (COLA). Core funding for fiscal 2014 was \$40.0 million, which included \$1.2 million to reflect the formula adjustment factor and \$1.5 million for the annualization of the fiscal 2013 COLA. In addition to the \$40.0 million, there was a \$1.7 million general fund transfer for a 2014 COLA. The fiscal 2015 budget increased due to the formula adjustment

factor (\$1.1 million) and the annualization of the 2014 COLA and increments (\$5.7 million). These adjustments were added not to the statutory base of \$37.3 million, but rather to the prior year allocation (\$40.0 million), as had been the practice prior to cost containment actions in 2009. This brought the total budget for fiscal 2015 to \$46.9 million. The Budget Reconciliation and Financing Act of 2014 also codified the practice that the formula adjustment factor be applied to the prior year's allocation.

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 Governor was 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 statutory funding levels.
- 1998 State provided funding to support cost-of-living adjustments for local health department employees beginning in fiscal 1999.
- 2010 Minimum funding level rebased to \$37.3 million.
- 2014 The Budget Reconciliation and Financing Act of 2014 clarified that, beginning in fiscal 2015, the formula adjustment factor must be applied to the prior year's allocation.

Legal Reference

Health General Article, Title 2, Subtitle 3

Chapter 22. Miscellaneous State Aid

Eight other State aid programs provide local governments with assistance in a variety of areas. The largest program is the disparity grant, which provides over \$135 million in funding to less affluent local governments. As shown in Exhibit 22.1, these eight State aid programs provided \$207.3 million to local governments in fiscal 2015, a 58.0% increase since fiscal 2011. Exhibit 22.2 shows the aid allocation for each county.

Exhibit 22.1 Miscellaneous State Aid Programs – Funding Trend (\$ in Millions)

<u>Aid Program</u>	<u>FY 2011</u>	<u>FY 2015</u>	<u>Difference</u>	<u>Percent Difference</u>
Disparity Grants	\$121.4	\$135.8	\$14.4	11.8%
Video Lottery Terminal Grants	5.7	39.1	33.4	588.5%
Teacher Retirement Supplemental Grants	0.0	27.7	27.7	N/A
Local Voting Systems Grants	2.0	2.1	0.1	3.1%
Instant Bingo Grants	0.0	1.0	1.0	N/A
PILOT Grants – Port Facilities	1.0	1.1	0.1	10.1%
Senior Citizen Activities Centers	0.4	0.5	0.1	20.1%
Horse Racing Impact Aid	0.7	0.1	-0.6	-89.3%
Total	\$131.2	\$207.3	\$76.1	58.0%

Source: Department of Legislative Services

**Exhibit 22.2
Miscellaneous State Aid Programs by County
Fiscal 2015**

County	Disparity Grants	Video Lottery	Teacher Retirement Supplemental	PILOT Grants	Horse Racing	Other Grants	Total Aid	Per Capita Aid	Per Capita Ranking
Allegany	\$7,298,505	\$1,265,290	\$1,632,106	\$0	\$0	\$0	\$10,195,901	\$139	3
Anne Arundel	0	15,996,174	0	75,000	19,769	0	16,090,943	29	11
Baltimore City	79,051,790	14,154,877	10,047,596	1,048,928	35,515	0	104,338,706	168	2
Baltimore	0	0	3,000,000	0	2,916	0	3,002,916	4	14
Calvert	0	0	0	0	0	1,019,846 ¹	1,019,846	11	13
Caroline	2,131,782	0	685,108	0	0	0	2,816,890	86	5
Carroll	0	0	0	0	0	0	0	0	16
Cecil	530,320	3,750,007	0	0	0	0	4,280,327	42	10
Charles	0	0	0	0	0	0	0	0	16
Dorchester	2,022,690	0	308,913	0	0	0	2,331,603	71	7
Frederick	0	0	0	0	0	0	0	0	16
Garrett	2,131,271	0	406,400	0	0	0	2,537,671	85	6
Harford	0	0	0	0	0	0	0	0	16
Howard	0	89,286	0	0	4,942	0	94,228	0	15
Kent	0	0	0	0	0	0	0	0	16
Montgomery	0	0	0	0	0	0	0	0	16
Prince George's	27,503,452	1,053,571	9,628,702	0	9,858	0	38,195,583	43	9
Queen Anne's	0	0	0	0	0	0	0	0	16
St. Mary's	0	0	0	0	0	0	0	0	16
Somerset	4,908,167	0	381,999	0	0	0	5,290,166	201	1
Talbot	0	0	0	0	0	0	0	0	16
Washington	1,978,223	0	0	0	0	0	1,978,223	13	12
Wicomico	8,240,963	0	1,567,837	0	0	0	9,808,800	97	4
Worcester	0	2,742,198	0	0	0	0	2,742,198	53	8
Unallocated	0	0	0	0	0	2,561,485 ²	2,561,485	less than 1	
Total	\$135,797,163	\$39,051,403	\$27,658,661	\$1,123,928	\$73,000	\$3,581,331	\$207,285,486		\$35

¹Instant bingo grants.
²Includes local voting system grants (\$2,061,485) and senior activities center grants (\$500,000).
 Source: Department of Legislative Services

Disparity Grants

The disparity grant program provides noncategorical State aid to low-wealth jurisdictions for county government purposes. The program reflects the State's policy to improve fiscal equity among jurisdictions by making less affluent jurisdictions less dependent on their own tax base to fund public services. Specifically, disparity grants address the differences in the abilities of counties to raise revenues from the local income tax, which for most counties is one of the larger revenue sources. Through fiscal 2010, counties with income tax rates of 2.4% or higher with per capita local income tax revenues less than 75.0% of the State's average (assuming a 2.54% statewide county income tax rate) received a grant equal to the dollar amount necessary to raise the county's per capita income tax revenues to 75.0% of the State average. Chapter 487 of 2009 included a provision, beginning in fiscal 2011, that capped each county's funding under the program at the fiscal 2010 level. Chapter 425 of 2013 modified the formula to add a minimum grant amount based on local tax effort of eligible counties and raised from 2.4% to 2.6% the local income tax rate required to be eligible to receive a grant.

In fiscal 2015, Baltimore City and nine counties (Allegany, Caroline, Cecil, Dorchester, Garrett, Prince George's, Somerset, Washington, and Wicomico) qualified for disparity grants. The fiscal 2015 State budget included \$135.8 million for disparity grants.

Distribution

The fiscal 2015 grant under the statute was based on population estimates for July 2012 and calendar 2013 local income tax revenues raised from a 2.54% local income tax rate. Beginning in fiscal 2014, the fiscal 2010 amount cap continues to apply, but an eligible county or Baltimore City may receive a minimum amount (that can exceed the fiscal 2010 cap) based on local tax effort. The minimum amounts are (1) 20.0% of the uncapped grant amount if the local income tax rate is at least 2.8% but less than 3.0%; (2) 40.0% of the uncapped grant if the rate is at least 3.0% but less than 3.2%; or (3) 60.0% of the uncapped grant if the rate is at 3.2%. Exhibit 22.3 shows the calculation for the disparity grant program for fiscal 2015.

Exhibit 22.3 Disparity Grant Calculation for Fiscal 2015

County	Population July 2012	Adjusted Income Tax Revenues	Per Capita Tax Yield	Per Capita Grant	Total Formula ¹ Amount	Fiscal 2010 Grant (Cap Amount)	Income Tax Effort ² (Floor Amount)	Grant Amount ³ Under Cap/Floor	Cap/Floor Provisions	Net Effect of	Percent Capped
Allegany	74,012	\$21,367,884	\$288.71	\$177.76	\$13,156,738	\$7,298,505	\$5,262,695	\$7,298,505	-\$5,858,233	44.5%	
Anne Arundel	550,488	394,879,322	717.33	0.00	0	0	0	0	0	0	
Baltimore City	621,342	200,344,808	322.44	144.03	89,494,646	79,051,790	53,696,787	79,051,790	-10,442,856	11.7%	
Baltimore	817,455	526,859,790	644.51	0.00	0	0	0	0	0	0	
Calvert	89,628	57,322,013	639.55	0.00	0	0	0	0	0	0	
Caroline	32,718	10,668,963	326.09	140.38	4,593,110	2,131,782	0	2,131,782	-2,461,328	53.6%	
Carroll	167,217	106,273,492	635.54	0.00	0	0	0	0	0	0	
Cecil	101,696	44,786,870	440.40	26.07	2,651,599	0	530,320	530,320	-2,121,279	80.0%	
Charles	150,592	80,047,873	531.55	0.00	0	0	0	0	0	0	
Dorchester	32,551	10,416,197	320.00	146.48	4,767,975	2,022,690	0	2,022,690	-2,745,285	57.6%	
Frederick	239,582	149,575,736	624.32	0.00	0	0	0	0	0	0	
Garrett	29,854	10,109,757	338.64	127.83	3,816,336	2,131,271	0	2,131,271	-1,685,065	44.2%	
Harford	248,622	148,398,111	596.88	0.00	0	0	0	0	0	0	
Howard	299,430	280,540,373	936.91	0.00	0	0	0	0	0	0	
Kent	20,191	10,916,650	540.67	0.00	0	0	0	0	0	0	
Montgomery	1,004,709	999,832,877	995.15	0.00	0	0	0	0	0	0	
Prince George's	881,138	365,188,264	414.45	52.02	45,839,087	21,694,767	27,503,452	27,503,452	-18,335,635	40.0%	
Queen Anne's	48,595	30,240,004	622.29	0.00	0	0	0	0	0	0	
St. Mary's	108,987	61,485,909	564.16	0.00	0	0	0	0	0	0	
Somerset	26,253	4,846,086	184.59	281.88	7,400,238	4,908,167	2,960,095	4,908,167	-2,492,071	33.7%	
Talbot	38,098	28,236,980	741.17	0.00	0	0	0	0	0	0	
Washington	149,180	59,697,371	400.17	66.30	9,891,116	0	1,978,223	1,978,223	-7,912,893	80.0%	
Wicomico	100,647	33,214,199	330.01	136.47	13,734,939	2,197,041	8,240,964	8,240,964	-5,493,976	40.0%	
Worcester	51,578	24,739,175	479.65	0.00	0	0	0	0	0	0	
Total	5,884,563	\$3,659,988,706	\$621.96		\$195,345,785	\$121,436,013	\$100,172,537	\$135,797,164	-\$59,548,621	30.5%	

*75% Target:
\$466.47*

¹Population multiplied by the per capita grant amount. ²Eligible counties with at least a 2.8% local income tax rate receive at least 20% of the total formula amount. The minimum grant increases to 40% of the total formula amount for eligible counties with at least a 3.0% local income tax rate and 60% for eligible counties with a 3.2% local income tax rate. ³Eligible counties receive the greater of either the fiscal 2010 grant amount (cap amount) or the minimum grant amount based on local income tax effort (floor amount).

Source: Department of Legislative Services

History of Major Changes

- 1991 Chapter 525 repealed the sales and use tax exemption for cigarettes and dedicated the revenue to the six jurisdictions whose local income tax revenues were below 67% of the statewide average. Baltimore and five counties (Allegany, Caroline, Dorchester, Garrett, and Somerset) qualified for the grants, which totaled \$8.5 million in fiscal 1992.
- 1992 Chapter 2 of the first special session codified the disparity grant formula in statute for fiscal 1993 and subsequent years. The program established a mandated annual grant to counties where per capita local income tax revenues were less than 70% of the statewide average.
- 1996 Chapter 173 based the disparity grant formula on 75% of the statewide average per capita local income tax yield beginning in fiscal 1998.
- 2009 Chapter 487 capped the funding amount that any jurisdiction may receive under the grant program to the amount received in fiscal 2010. While this approach maintained the functionality of the formula, it served to constrain growth for counties that otherwise would have seen an increase in grant amounts and also prohibited grants to any new jurisdiction that would qualify for funding in fiscal 2011 or beyond.
- 2010 Chapter 484 changed the calculation of the formula by using net taxable income from returns filed through November 1 rather than August 15.
- 2011 Chapter 397 enhanced the disparity grant calculation for fiscal 2012 by increasing from 75% to 77% the percentage of statewide per capita income tax yield used in the disparity grant calculation.
- 2013 Chapter 425 modified the formula to add a minimum grant amount based on local tax effort of eligible counties and raised from 2.4% to 2.6% the local income tax rate required to be eligible to receive a grant.

Legal Reference

Local Government Article, Section 16-501

Video Lottery Terminal (VLT) Grants

Two VLT gambling bills (Chapters 4 and 5) passed during the 2007 special session. Chapter 5 was a constitutional amendment approved by Maryland voters at the November 2008 general election that authorized 15,000 VLTs at five locations in the State. Chapter 4, which was contingent on ratification of Chapter 5, established the operational

and regulatory framework for the authorized VLT program. Chapter 1 of the second special session of 2012 made numerous changes to the State's gaming program, including authorization of a sixth VLT license in Prince George's County and table games at VLT facilities. Required voter approval was obtained in November 2012.

From the proceeds generated by VLTs at video lottery facilities in the State, 5.5% is distributed to local governments in which a video lottery facility is operating. This aid is to be used for infrastructure, facilities, services, and other improvements. Of this amount, 82.0% is distributed based on each facility's share of proceeds. The remaining 18.0% is required to be distributed for 20 years (starting in fiscal 2012 and ending in fiscal 2032) to Baltimore City through the Pimlico Community Development Authority and to Prince George's County for the community surrounding Rosecroft Raceway (\$1.0 million annually), except that the 18.0% dedication does not apply to facilities located in Allegany, Cecil, and Worcester counties upon issuance of the Baltimore City license.

Furthermore, under Chapter 464 of 2014, for fiscal 2015 through 2019, \$500,000 of the 18.0% dedication must be distributed to communities within three miles of Laurel Race Course. This results in \$89,300 for Howard County and \$357,100 for Anne Arundel County and \$53,600 for Laurel in each of these five fiscal years. Upon issuance of a Prince George's County license, 5.0% of table game revenues is required to be distributed to local jurisdictions where a video lottery facility is located. VLT local impact grants totaled \$39.1 million in fiscal 2015, an increase of \$33.4 million since fiscal 2011. Exhibit 22.4 shows VLT local impact grant funding for fiscal 2013 through 2015.

Exhibit 22.4
Video Lottery Terminal Impact Grants
Fiscal 2013-2015

<u>County</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Allegany	\$0	\$1,473,680	\$1,265,290
Anne Arundel	16,325,650	18,797,428	15,996,174
Baltimore City	4,193,738	4,671,913	14,154,877
Cecil	5,205,279	3,228,952	3,750,007
Howard	0	0	89,286
Prince George's	1,000,000	1,000,000	1,053,571
Worcester	2,129,433	2,338,654	2,742,198
Total	\$28,854,100	\$31,510,627	\$39,051,403

Source: Department of Legislative Services

Legal Reference

State Government Article, Section 9-1A-31

Instant Bingo Grants

Chapter 603 of 2012 made permanent the authority for existing qualified organizations and licensed commercial bingo licensees to operate electronic instant bingo machines that would otherwise be illegal under State law after July 1, 2012. Chapter 603 created the Calvert County Youth Recreational Opportunities Fund, administered by the Secretary of Natural Resources for the purpose of increasing youth recreational opportunities in Calvert County. Beginning in fiscal 2013, the Youth Recreational Opportunities Fund and the Boys and Girls Club of the Town of North Beach receive a portion of revenues from the State admissions and amusement tax imposed on the instant bingo machines in Calvert County.

Beginning in fiscal 2014, the Town of North Beach and the Town of Chesapeake Beach in Calvert County also receive a portion of these State admissions and amusement revenues. Beginning in fiscal 2017, the Calvert County Board of Education will also receive a portion of State admissions and amusement tax revenues raised in Calvert County. This State aid must be used for school renovation and renewal projects and may not be used to supplant county funds for school construction. Instant bingo aid, all of which is distributed within Calvert County, totaled \$1.0 million in fiscal 2015.

Horse Racing Impact Aid

Since 1947, the State has shared with 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%), 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% with a provision to revert the rate back to 0.5% on July 1, 1999; however, Chapter 291 of 1999 extended the horse racing tax of 0.32% to July 1, 2000. The Racing Act of 2000 (Chapter 309 of 2000) further extended indefinitely the horse racing tax of 0.32%.

The amounts of impact aid granted to each jurisdiction are mandated by statute and are largely based on the number of racing days held each year. In recent years, revenues have been insufficient to fulfill the expected allocation to each jurisdiction and to the other mandated uses. Horse racing local impact aid was eliminated for fiscal 2012 and 2013. Chapter 425 of 2013 required the Comptroller, in any fiscal year that revenues to the horse

racing special fund are not sufficient to fully fund local impact aid, to proportionately reduce the amount of grants required to be paid. Currently, Anne Arundel, Baltimore, and Howard counties, and the cities of Baltimore and Laurel, receive impact aid grants. Fiscal 2015 funding totaled \$73,000, a decrease of \$611,900 since fiscal 2011. Exhibit 22.5 shows the allocation of Horse Racing Impact Aid for fiscal 2011 through 2015.

Exhibit 22.5
Horse Racing Impact Aid
Fiscal 2011-2015

<u>County</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Anne Arundel	\$193,364	\$0	\$0	\$19,769	\$19,769
Baltimore City	319,530	0	0	35,515	35,515
Baltimore	26,295	0	0	2,916	2,916
Howard	48,341	0	0	4,942	4,942
Prince George's	97,382	0	0	9,858	9,858
Total	\$684,912	\$0	\$0	\$73,000	\$73,000

Source: Department of Legislative Services

Legal Reference

Business Regulation Article, Section 11-404

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 addressed concerns arising from the 2000 presidential election regarding uniformity in voting systems among local jurisdictions. The legislation required the State to provide funding 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 \$39.0 million in voting system grants, including \$2.1 million in fiscal 2015. Annual aid in future years is likely to increase as funding is provided for leasing and implementation of new optical scan voting equipment.

Legal Reference

Section 4, Chapter 564, Acts of 2001

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 a 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 land associated with the port properties. Anne Arundel and Baltimore counties also have received a small portion of these grants. Exhibit 22.6 shows the allocation of payments in lieu of taxes for fiscal 2013 through 2015.

Exhibit 22.6 Payments in Lieu of Taxes Fiscal 2013-2015

<u>County</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Anne Arundel	\$75,000	\$75,000	\$75,000
Baltimore City	844,108	1,048,928	1,048,928
Total	\$919,108	\$1,123,928	\$1,123,928

Source: Department of Legislative Services

Legal Reference

Transportation Article, Section 6-411

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.

Funds are distributed based on a competitive grant process. At least 50% of the funds are to be distributed to senior centers in economically distressed counties. These counties have an unemployment rate that is greater than 150% of the average of the rest of the State for the most recent 18-month period or an average per capita personal income that is equal to or less than 67% of the average personal per capita income for the rest of the State for the most recent 24-month period. The fiscal 2015 State budget included a \$500,000 appropriation for the fund.

Legal Reference

Human Services Article, Sections 10-513 through 10-516

Teacher Retirement Supplemental Grants

Chapter 1 of the first special session of 2012 established this grant program, beginning in fiscal 2013. Grants totaling \$27.7 million are distributed annually to nine counties (including Baltimore City) to help offset the impact of sharing teachers' retirement costs with the counties. This funding level includes \$3.1 million that had been designated for the Baltimore City miscellaneous grant, which was permanently repealed by Chapter 1.

Legal Reference

Local Government Article, Section 16-503

Chapter 23. 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 may relieve local governments of the cost of programs over which they have little control, achieve equity when local administration resulted in significant inequities, or occur when specific functions in a local jurisdiction require State intervention.

Numerous reasons underlie State assumption of local functions. 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 services to city residents. As shown in Exhibit 23.1, local functions in Baltimore City cost the State \$190.7 million in fiscal 2015, while local circuit court functions cost approximately \$139.1 million.

Exhibit 23.1
Local Government Functions Assumed by the State
Selected Fiscal Years
(\$ in Millions)

	<u>FY 2011</u>	<u>FY 2015</u>	<u>Percent Change</u>
Baltimore City Functions	\$160.7	\$190.7	18.6%
Local Circuit Courts	126.7	139.1	9.8%
Total	\$287.5	\$329.8	14.7%

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 23.2 shows the amount of State funding for the three assumed local government functions in Baltimore City since fiscal 2011.

Exhibit 23.2
Baltimore City Functions Assumed by the State
(\$ in Millions)

<u>Fiscal</u>	<u>Community College</u>	<u>Detention Center</u>	<u>Central Booking</u>	<u>Total</u>
2011	\$40.9	\$72.9	\$47.0	\$160.7
2012	40.7	74.9	52.4	168.1
2013	40.5	80.2	52.7	173.4
2014	42.2	82.2	56.7	181.1
2015	41.8	85.4	63.5	190.7

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 \$378.5 million in fiscal 2013 on local correctional services. In Baltimore City, however, the 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 23.2, the State spent approximately \$85.4 million in fiscal 2015 to operate the Baltimore City Detention Center and \$63.5 million to operate the Central Booking and Intake Facility. To partially offset the costs to operate these two facilities, State funding for Baltimore City under the police aid formula, which amounted to \$37.7 million in fiscal 1991, was discontinued beginning in fiscal 1992; 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 21.9% of their operating funding from the State and 26.4% from county governments.

However, 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 23.2, State funding for the Baltimore City Community College totaled approximately \$41.8 million in fiscal 2015.

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 the 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 to \$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 2000, 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 of 2003 required local jurisdictions to make a 25% 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 in fiscal 2004. However, the 2003 Budget Reconciliation and Financing Act delayed the circuit court rent payments until fiscal 2007. In fiscal 2007 the State was to 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 was to increase to \$5 in fiscal 2008 and to \$10 in fiscal 2009. However, legislation enacted in 2008 provided that the Chief Judge of the Court of Appeals must certify to the Governor an amount not exceeding \$500,000 for the rent for space occupied.

As noted in Exhibit 23.3, State assumed costs of local circuit court functions totaled \$139.1 million in fiscal 2015. Exhibit 23.4 shows the estimated State assumed costs by jurisdiction for fiscal 2014.

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 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 23.3
Local Circuit Court Functions Assumed by the State**

Fiscal	Clerks of Court	Juror Fees	Masters' Salaries	Law Clerks	Family Divisions/ Family Services	Interpreters	Court Leases	Total
		\$0	\$0	\$0	\$0	\$0	\$0	\$0
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	74,970,737	4,192,372	6,537,399	5,076,419	9,099,993	934,110	0	100,811,030
2007	79,294,276	3,867,875	7,124,042	7,227,658	10,198,693	1,347,958	250,000	109,310,502
2008	80,025,841	4,037,418	7,723,334	6,668,975	10,623,964	1,503,545	500,000	111,083,077
2009	85,167,158	3,835,685	8,281,073	7,367,857	11,737,356	1,225,447	500,000	118,114,576
2010	85,082,532	3,769,494	9,471,921	7,438,280	11,081,565	1,282,127	500,000	118,625,919
2011	92,637,671	4,038,464	9,526,598	7,644,300	10,976,216	1,425,823	500,000	126,749,072
2012	87,815,390	4,005,483	9,059,191	7,593,716	7,283,980	1,438,824	500,000	117,696,584
2013	86,956,286	3,910,424	9,751,016	7,699,748	9,159,118	1,477,258	500,000	119,453,850
2014 Estimate	93,551,063	4,008,000	9,512,873	8,062,111	9,652,078	1,540,000	500,000	126,826,125
2015 Estimate	103,017,957	4,100,000	10,482,000	9,176,170	10,129,504	1,735,000	500,000	139,140,631

Source: Administrative Office of the Courts

Exhibit 23.4
Local Circuit Court Functions Assumed by the State
Fiscal 2014 Estimated Expenditures
(\$ in Thousands)

County	Clerks of Court	Juror Fees	Masters'		Family Divisions/			Interpreters	Court Leases	Total
			Salaries	Law Clerks	Family Services	Family Services	Court Leases			
Allegany	\$1,416.3	\$43.0	\$0.0	\$108.1	\$135.5	\$0.0	\$0.0	\$6.9	\$1,709.8	
Anne Arundel	8,189.9	258.0	0.0	640.7	710.4	0.0	0.0	29.4	9,828.4	
Baltimore City	18,955.2	1,033.0	0.0	1,777.9	1,357.2	192.0	192.0	200.0	23,515.3	
Baltimore	7,886.8	493.0	0.0	834.4	820.2	156.0	156.0	30.6	10,221.0	
Calvert	1,583.9	19.0	0.0	130.2	157.5	0.0	0.0	4.4	1,894.9	
Caroline	819.7	13.0	0.0	47.3	133.6	0.0	0.0	3.6	1,017.2	
Carroll	2,398.5	50.0	0.0	161.2	289.2	0.0	0.0	13.0	2,911.9	
Cecil	2,224.7	108.0	0.0	197.7	185.3	0.0	0.0	7.5	2,723.1	
Charles	2,856.6	71.0	0.0	190.5	217.6	0.0	0.0	13.8	3,349.5	
Dorchester	1,372.7	49.0	0.0	52.8	130.9	0.0	0.0	14.1	1,619.6	
Frederick	2,378.6	57.0	0.0	217.1	153.7	0.0	0.0	9.8	2,816.2	
Garrett	738.6	12.0	0.0	40.4	103.6	0.0	0.0	4.7	899.2	
Harford	3,713.6	165.0	0.0	245.1	242.4	0.0	0.0	9.0	4,375.0	
Howard	2,741.2	103.0	0.0	240.2	246.1	0.0	0.0	11.8	3,342.2	
Kent	751.3	6.0	0.0	55.4	109.0	0.0	0.0	2.9	924.6	
Montgomery	11,362.1	372.0	0.0	1,109.0	1,912.8	207.0	207.0	55.2	15,018.2	
Prince George's	12,700.4	827.0	0.0	1,163.7	1,634.9	210.0	210.0	43.7	16,579.8	
Queen Anne's	1,070.1	14.0	0.0	45.7	142.6	0.0	0.0	4.8	1,277.2	
St. Mary's	1,619.6	52.0	0.0	168.6	103.3	0.0	0.0	5.0	1,948.4	
Somerset	1,149.6	12.0	0.0	51.8	307.6	0.0	0.0	2.4	1,523.3	
Talbot	1,052.2	29.0	0.0	50.1	104.4	0.0	0.0	3.1	1,238.9	
Washington	2,045.3	83.0	0.0	217.5	144.4	0.0	0.0	8.4	2,498.7	
Wicomico	1,809.3	101.0	0.0	154.0	142.1	0.0	0.0	9.7	2,216.1	
Worcester	1,936.8	38.0	0.0	162.9	167.9	0.0	0.0	6.3	2,311.8	
Unallocated	777.8	0.0	9,512.9	0.0	0.0	775.0	0.0	0.0	11,065.7	
Total	\$93,551.1	\$4,008.0	\$9,512.9	\$8,062.1	\$9,652.1	\$1,540.0	\$500.0	\$126,826.1		

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% and a local contribution of 20% for the cost of hospitalized indigent persons. The requirement for the 20% 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 handles 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 offenses rested with various programs within the 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 offenses had a right to counsel and related services. The Office of the Public Defender replaced various circuit court programs throughout the State.

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 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 State 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.

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 in the Department of Health and Mental Hygiene, the office assists State's Attorneys, the courts, law enforcement agencies, and families.

Mass Transportation

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 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.

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 toward 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% of operating deficiencies, defined as operational costs reduced by available federal funds and the greater of operating revenues or 50% of operating costs; and (3) 75% 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 paid 37.5% of operating costs or 75.0% 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 the Washington Metropolitan Area Transit Authority, with legislation passed in 1992, for services in Montgomery and Prince George's counties beginning in fiscal 1993. The State's share of funding for the operating deficits of both WMATA and eligible bus service was increased from 75% to 100%. In addition, beginning in fiscal 2000, the State now pays 100% of WMATA's capital equipment costs.

Property Assessment and Property Tax Credits

Property Assessment

The assessment of State property originally was the sole responsibility of the counties and Baltimore City. The State 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% 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.

Chapter 397 of 2011 required counties to reimburse the State for certain property valuation expenditures, beginning in fiscal 2012. Counties must reimburse the State Department of Assessments and Taxation for 50% of the costs of real property valuation, of business personal property valuation, and of information technology incurred by the department. In fiscal 2015, reimbursements from counties will total an estimated \$22.0 million.

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.

Chapter 24. Federal Aid to Local Governments

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, public housing grants, Head Start grants, and higher education grants. Pass-through grants occur in the areas of primary and secondary education, vocational education, health and human services, law enforcement, and transportation.

Federal aid accounts for a small percentage of local government revenues. From fiscal 2003 to 2013, the federal share of local revenues decreased slightly. In fiscal 2013, federal aid accounted for 7.3% of county revenues and 2.4% of municipal revenues. In fiscal 2003, federal aid accounted for 7.6% of county revenues and 2.7% of municipal revenues. From fiscal 2003 to 2013, federal aid to county governments increased at an average annual rate of 4.1% compared to 4.5% for total county revenues. Federal aid for municipalities increased at an average annual rate of 4.4% compared to 5.1% for total municipal revenues. Exhibit 24.1 shows the growth in federal aid from fiscal 2003 to 2013 for both county and municipal governments.

Exhibit 24.1
Federal Aid to Maryland Local Governments
Selected Fiscal Years
(\$ in Millions)

	<u>FY 2003</u>	<u>FY 2013</u>	<u>Percent Change</u>
Counties	\$1,316.6	\$1,964.7	49.2%
Municipalities	21.4	32.8	53.1%
Total	\$1,338.0	\$1,997.5	49.3%

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

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 2013, county governments and Baltimore City received federal aid totaling \$2.0 billion and municipalities received \$32.8 million (Exhibit 24.2). Of the aid provided to counties and Baltimore City, approximately \$833.6 million (42.4%) was for primary and secondary education, \$210.3 million (10.7%) was for community colleges, \$123.0 million (6.3%) was

for local health departments, \$361.0 million (18.4%) was for community development, and \$436.8 million (22.2%) was for other programs. Exhibit 24.3 presents federal aid by category for Baltimore City and county governments in fiscal 2013, while Exhibit 24.4 shows federal aid for municipal governments. A description of some of the major federal aid programs in the various areas follows.

Primary and Secondary Education

Title I – Grants to Local Education Agencies

Title I 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 and Nutrition Services

The Food and Nutrition Service in the U.S. Department of Agriculture provides general, free and reduced-price subsidies for the National School Lunch Program, the School Breakfast Program, the Summer Food Service Program, and meals and snacks for children enrolled in eligible 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 24.2
Federal Aid to Local Governments
Fiscal 2013

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$29,260,362	\$3,921,641	\$33,182,003	\$448	3
Anne Arundel	100,878,891	2,213,464	103,092,355	187	23
Baltimore City	425,319,234	0	425,319,234	685	1
Baltimore	260,029,736	0	260,029,736	318	13
Calvert	15,929,887	78,258	16,008,145	179	24
Caroline	10,732,109	992,551	11,724,660	358	7
Carroll	34,608,317	1,938,165	36,546,482	219	21
Cecil	25,219,656	333,985	25,553,641	251	19
Charles	45,448,467	104,394	45,552,861	302	14
Dorchester	12,027,232	490,828	12,518,060	385	5
Frederick	46,125,987	1,985,469	48,111,456	201	22
Garrett	14,157,754	3,740,144	17,897,898	600	2
Harford	65,127,083	320,836	65,447,919	263	17
Howard	81,939,067	0	81,939,067	274	16
Kent	7,267,818	90,499	7,358,317	364	6
Montgomery	339,364,078	2,235,717	341,599,795	340	10
Prince George's	304,074,417	4,220,634	308,295,051	350	8
Queen Anne's	16,205,398	47,590	16,252,988	334	12
St. Mary's	24,566,654	0	24,566,654	225	20
Somerset	8,768,857	17,897	8,786,754	335	11
Talbot	9,146,649	494,180	9,640,829	253	18
Washington	39,583,077	1,776,622	41,359,699	277	15
Wicomico	33,396,032	1,246,614	34,642,646	344	9
Worcester	15,565,813	6,505,925	22,071,738	428	4
Total	\$1,964,742,575	\$32,755,413	\$1,997,497,988	\$339	

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

Exhibit 24.3
Federal Aid to County Governments
Fiscal 2013

County	Public Schools	Community Colleges	Health Boards	Community Development	Other Programs	Total
Allegany	\$12,622,122	\$7,660,494	\$4,045,618	\$943,660	\$3,988,468	\$29,260,362
Anne Arundel	58,061,877	23,955,921	8,729,843	6,126,383	4,004,867	100,878,891
Baltimore City	185,667,000	0	19,712,810	44,292,401	175,647,023	425,319,234
Baltimore	95,070,000	48,670,982	13,990,824	70,783,876	31,514,054	260,029,736
Calvert	9,076,828	1,789,645	1,638,783	67,263	3,357,368	15,929,887
Caroline	6,368,654	1,124,654	2,161,527	0	1,077,274	10,732,109
Carroll	14,794,285	3,453,079	4,185,746	6,749,002	5,426,205	34,608,317
Cecil	13,869,753	2,407,808	2,360,803	3,806,063	2,775,229	25,219,656
Charles	19,054,914	6,623,018	4,139,097	8,771,756	6,859,682	45,448,467
Dorchester	6,716,129	973,726	1,859,249	0	2,478,128	12,027,232
Frederick	21,893,422	5,251,019	3,568,856	6,324,135	9,088,555	46,125,987
Garrett	5,511,765	2,398,756	2,377,319	298,690	3,571,224	14,157,754
Harford	27,682,128	7,862,729	4,078,294	10,339,260	15,164,672	65,127,083
Howard	23,579,788	11,339,128	2,969,827	1,760,081	42,290,243	81,939,067
Kent	3,190,497	447,915	2,712,597	33,474	883,335	7,267,818
Montgomery	106,878,936	38,080,864	9,695,545	114,454,837	70,253,896	339,364,078
Prince George's	141,136,265	25,324,247	16,396,478	84,554,133	36,663,294	304,074,417
Queen Anne's	5,989,817	1,241,502	1,917,363	66,882	6,989,834	16,205,398
St. Mary's	16,420,633	2,156,895	1,042,890	0	4,946,236	24,566,654
Somerset	5,435,394	0	1,592,622	488,020	1,252,821	8,768,857
Talbot	3,966,772	1,080,836	1,455,166	0	2,643,875	9,146,649
Washington	21,321,365	9,431,336	4,692,670	677,124	3,460,582	39,583,077
Wicomico	20,217,251	6,492,125	4,675,380	350,434	1,660,842	33,396,032
Worcester	9,102,883	2,524,715	2,967,974	136,150	834,091	15,565,813
Statewide	\$833,628,478	\$210,291,394	\$122,967,281	\$361,023,624	\$436,831,798	\$1,964,742,575

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

Exhibit 24.4
Federal Aid to Municipal Governments
Fiscal 2013

County	Community Development	Public Safety	Transportation	Sewer/Waste/Water	Economic Development	Other Programs	Total
Allegany	\$2,605,954	\$708,836	\$161,544	\$265,549	\$111,419	\$68,339	\$3,921,641
Anne Arundel	546,168	0	356,878	0	0	1,310,418	2,213,464
Baltimore City	0	0	0	0	0	0	0
Baltimore	0	0	0	0	0	0	0
Calvert	0	0	0	0	0	78,258	78,258
Caroline	832,394	90,422	10,726	48,916	0	10,093	992,551
Carroll	1,814,340	80,945	0	0	0	42,880	1,938,165
Cecil	0	217,030	15,130	54,900	0	46,925	333,985
Charles	0	0	12,140	9,000	0	83,254	104,394
Dorchester	0	89,552	0	0	349,352	51,924	490,828
Frederick	234,038	382,365	178,786	145,144	969,379	75,757	1,985,469
Garrett	638,050	0	24,600	3,029,659	0	47,835	3,740,144
Harford	225,500	4,637	0	0	0	90,699	320,836
Howard	0	0	0	0	0	0	0
Kent	0	0	70,122	0	0	20,377	90,499
Montgomery	828,393	255,639	123,752	566,899	128,140	332,894	2,235,717
Prince George's	2,309,499	530,152	115,363	0	21,937	1,243,683	4,220,634
Queen Anne's	0	0	0	47,590	0	0	47,590
St. Mary's	0	0	0	0	0	0	0
Somerset	0	0	0	17,897	0	0	17,897
Talbot	0	41,904	446,790	0	0	5,486	494,180
Washington	0	299,240	0	103,534	1,195,016	178,832	1,776,622
Wicomico	279,571	896,092	0	41,745	0	29,206	1,246,614
Worcester	114,242	1,347,593	2,558,221	1,941,658	98,000	446,211	6,505,925
Statewide	\$10,428,149	\$4,944,407	\$4,074,052	\$6,272,491	\$2,873,243	\$4,163,071	\$32,755,413

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

Vocational Education Basic State Grants

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.

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. This program is administered by the Department of Labor, Licensing, and Regulation.

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.

Federal Work-study Program

The Federal Work-study Program provides 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 Educational Opportunity Grant

The Federal Supplemental Educational Opportunity Grant 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 Endowment for the Humanities

The National Endowment 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 Loan Program

The Perkins Loan 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 to their institutions for the loans.

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 Solutions Grants Program

The Emergency Solutions 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 and urban counties 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 age five. At least 10% 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

Community Development Block Grants

The Community Development Block Grant Program provides competitive federally funded grants to local governments in nonentitlement areas of the State for use in revitalizing neighborhoods, expanding affordable housing and economic opportunities, and improving community facilities and services. Activities primarily benefit low- and moderate-income individuals.

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 Justice Assistance Grants

Byrne Justice Assistance Grants provide funds to support all components of the criminal justice system such as multijurisdictional drug and gang task forces, crime prevention and domestic violence programs, and criminal justice information sharing initiatives.

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.

State Homeland Security Grants

State Homeland Security Grants provide funds to support building and sustaining preparedness capabilities through planning, equipment, training, and exercise activities. Funding is awarded based on a combined formula and competitive basis to states and passed through to local jurisdictions.

Emergency Management Performance Grants

Emergency Management Performance Grants provide funds to assist in the development, maintenance, and improvement of state and local emergency management capabilities. Funding is used to sustain and enhance catastrophic planning needs and capabilities.

Urban Areas Security Initiative Grants

Urban Areas Security Initiative Grants provide financial assistance to address the unique multidiscipline planning, organization, equipment, training, and exercise needs of high-threat, high-density urban areas, and to assist them in building and sustaining capabilities to prevent, protect against, respond to, and recover from threats or acts of terrorism.

Transportation

Urbanized Area Grant Program – Section 5307

The Federal Transit Administration’s Section 5307 Urbanized Area Grant Program provides operating and capital funding to small urban local transit systems within the State. Current annual recipients of this small urban program include 12 counties (3 counties are within a single regional transit program). The annual operating funds are reflected within the Maryland Transit Administration’s annual operating budget. The federal share of operating funding is up to 50% of the net project cost.

Other than Urbanized Area Grant Program – Section 5311

The Federal Transit Administration's Section 5311 Other than Urbanized Area Grant Program provides operating and capital funds to rural local transit systems within the State. Annual recipients of this rural transit program include 20 counties (6 counties are within two regional transit programs) and one city (Ocean City). Federal funds may be used for up to 80% of capital and administrative expenses and up to 50% of operating expenses. Projects that meet the Americans with Disabilities Act, Clean Air Act, or bicycle access requirements may be funded at 90% federal match. This funding program also supports intercity bus service between regions. The annual operating funds are reflected within the Maryland Transit Administration's annual operating budget.

Congestion Mitigation and Air Quality

The Congestion Mitigation and Air Quality program provides a flexible funding source to State and local governments for transportation projects and programs to help meet the requirements of the Clean Air Act. Funding is available to reduce congestion and improve air quality for areas that do not meet the National Ambient Air Quality Standards for ozone, carbon monoxide, or particulate matter (nonattainment areas) and for areas that were out of compliance but have now met the standards (maintenance areas). Funding is provided for local jurisdictions at a 100% federal share amount for ridesharing programs.

Surface Transportation Program

The Surface Transportation Program is a program that provides flexible funding that may be used by states and localities for projects to preserve and improve the conditions and performance on any federal aid highway, bridge, and tunnel projects on any public road; pedestrian and bicycle infrastructure; and transit capital projects, including intercity bus terminals.

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