



# THE PRINCE GEORGE'S COUNTY GOVERNMENT

OFFICE OF THE COUNTY EXECUTIVE

**BILL:** House Bill 737 - Local Governments - Income Tax Disparity Grants - Amounts

**SPONSOR:** Delegate Anderton, *et al.*

**HEARING DATE:** February 27, 2020

**COMMITTEE:** Appropriations

**CONTACT:** Intergovernmental Affairs Office, 301-780-8411

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**POSITION:** SUPPORT WITH AMENDMENTS

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The Office of the Prince George's County Executive **SUPPORTS House Bill 737 - Local Governments - Income Tax Disparity Grants – Amounts**, which extends into fiscal years 2022 and 2023 the time a county or Baltimore City that has a county income tax rate of 3.2% will receive a minimum of 67.5% percent of the disparity grant program.

The disparity grant program provides non-categorical State aide to counties who take in less income tax revenue because they have comparatively less wealth. Counties whose per capita local income tax revenues are less than 75% of the statewide average receive grants unless they have a county income tax rate below 2.6%. Should the grant program not be extended beyond fiscal year 2021, Prince George's County will lose \$4 million.

While the program dates to 1991, growing program costs and pushes to cut state spending in response to economic challenges led to two separate significant changes to cap grants to counties. First, in 2009 the amount a grant for a jurisdiction was capped at the amount it received in FY 2010. Second, in 2013 a jurisdiction was allowed to exceed the 2010 cap based on their local tax effort, receiving: 20% of the uncapped grant amount if the local tax rate is 2.8% to 3.0%, 40% of the uncapped grant if the local tax rate is 3.0% to 3.2%, and 60% (subsequently changed to 67.5%) of the local tax rate is 3.2%.

The effect of the cap in the disparity grant has hit Prince George's County particularly hard. From FY 2013 through 2021, the County lost \$128.5 million, almost double the amount lost from the second hardest hit county, Washington. It is certainly understandable to worry when the costs for a program grow larger than anticipated, but given the focus that has been placed during this legislative session on showing

our values through our funding priorities, it is time to begin rolling back the cap. This could be accomplished by adding Section 16-501(e)(2)(iii)(4) to say “**IN FISCAL YEAR 2022, THE COUNTY OR BALTIMORE CITY MAY RECEIVE A MINIMUM OF 80.0% OF THE AMOUNT DETERMINED UNDER SUBSECTION (C)(3) OF THIS SECTION.**” Additional section subsequent to this new language could be added that would further rollback the cap in the future.

For the reasons stated above, the Office of the Prince George’s County Executive **SUPPORTS House Bill 737 WITH AMENDMENTS** and asks for a **FAVORABLE** report.