House Bill 919

Property Tax - County Authority to Set Special Rates

MACo Position: **SUPPORT**

To: Ways and Means Committee

Date: February 27, 2024

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS** HB 919. This bill authorizes county governments to impose a separate tax rate on specified subclasses of real property, as identified and approved by the General Assembly, to fund local transportation priorities and public schools.

HB 919 addresses a priority initiative of Maryland's 24 county jurisdictions. By providing flexibility with local revenues, this bill equips counties with tools to meet the evolving needs of their communities, stimulate economic growth, and enhance the quality of life for residents.

Maryland's county governments, even the charter counties with the broadest authority, are hamstrung by outdated tax systems that fail to reflect the modern economy. Under current law, municipalities have broad discretion to impose separate property tax rates on different subclasses of real property. This bill extends that authority to county governments, with proper guardrails.

Under the bill, counties may set a special tax rate for a subclass of property within a special tax district. However, counties may only set special rates for specified subclasses of real property identified and approved by the General Assembly. In addition, the bill sets a maximum rate a county may levy on an eligible subclass, and any revenue from a special tax must go toward funding transportation and public schools.

This bill enables counties to invest in safe, equitable, and sustainable transportation projects that reduce congestion, enhance quality of life, and strengthen the economy.

The State faces a multi-billion-dollar budget shortfall in its consolidated Transportation Trust Fund. While the Governor has announced a one-time infusion from the state general fund to maintain services for the coming year, a plan to scale back spending in future years − including a step backward on the share of state-levied taxes dedicated to local transportation needs − remains before the legislature.

In Maryland, local governments have no authority to levy their own transportation revenues – counties and municipalities depend entirely on a share of state-levied revenues to support safety and maintenance work on local roads and bridges across the state.

For decades, the State supported a balanced means to maintain its transportation infrastructure. The bulk of transportation revenues – mainly motor fuel and vehicle titling taxes – have been split between the State (for its consolidated Transportation Trust Fund, serving multiple modes) and local governments (who own and maintain roughly five of every six road miles across the state).

The State faced a mid-year budget crisis during the "Great Recession" in 2009. In turn, the Board of Public Works adopted a 90% reduction of the local distributions of these Highway User Revenues and a roughly 40% reduction to Baltimore City's allocation (the largest by far to any jurisdiction).

Since then, many recession-driven cutbacks have been fully or primarily restored. This is not the case with Highway User Revenues – they remain far behind historic levels, even after the State has enacted a substantial transportation revenue increase.

The $396 million in the proposed budget plan for fiscal 2025 remains far short of Maryland's proper and historic funding levels, even on a simple dollar-to-dollar basis. Accounting for road maintenance and materials costs would expand this gap even further.

By promoting local decision-making, this bill empowers counties to turn transportation challenges into opportunities for growth.

This legislation delivers additional tools for counties to fully fund their share of the Blueprint for Maryland's Future.

Like the State, counties face significant budget pressures, driven primarily by the ballooning costs to implement the Blueprint for Maryland's Future successfully. The local levels of funding for education in each respective jurisdiction have reached record levels in recent years. However, this record county funding, combined with more significant funding requirements mandated by the law, will limit counties' ability to fund competing governmental needs at basic operational levels.

This can threaten Blueprint implementation and the funding and stability of critical local government services, like public safety and emergency management, public health and social services, transportation infrastructure, libraries, and community colleges. No county government wants to choose between funding education, safety, human services, and infrastructure.

By granting limited flexibility with local revenues, this bill provides another tool for counties to remain steadfast in their commitment to the Blueprint.

HB 919 ensures county governments have the necessary tools and proper flexibility to enact policies that serve and react to local community input and priorities. Accordingly, MACo urges a **FAVORABLE** report for HB 919.