

Department of Legislative Services  
Maryland General Assembly  
1999 Session

FISCAL NOTE

House Bill 697 (Delegate Snodgrass)

Ways and Means

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**Elected County Boards of Education - Taxing Authority and Fiscal Accountability  
Authorized**

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This bill grants fiscal autonomy to a local school system with an elected board of education. An elected local board may impose a property tax to fund public school operations and expenses. The local boards with taxing authority do not have to submit the annual school budget to the local governing body for approval. The local boards may issue bonds for public school construction and capital improvement projects. The bill requires the school property tax rate to be collected in the same manner that the State and county property taxes are collected.

This bill takes effect October 1, 2000 and is applicable to all fiscal years beginning after June 30, 2000.

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**Fiscal Summary**

**State Effect:** None. State funding for local public schools would remain the same.

**Local Effect:** Indeterminate impact on local revenues and expenditures.

**Small Business Effect:** None.

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**Fiscal Analysis**

**Background:** In most states, school districts have their own taxing authority; however, in Maryland and 13 other states a majority of school districts are financially dependent on another unit of local government. Fiscally independent school districts have broader financial and taxing authority than dependent school districts, with the main difference being

that independent districts have ultimate control over their school budgets. However, many fiscally independent school districts still face some constraints due to voter approval requirements.

In fiscally dependent school districts, the local school boards must have either their budgets or tax levies approved by county or municipal governments. In most fiscally dependent districts, school boards retain line-item budget authority, with the county or municipal governments having only broad fiscal control over the total budget amount or certain budget categories. In Maryland, a county governing body can only make changes to the amount of funding in each spending category. Local boards of education maintain line-item budget authority.

**Local Effect:** Public schools in Maryland are funded from federal, State, and local sources, with local revenue accounting for 55% of public school funding. In fiscal 1997, \$5.4 billion in revenue was collected to finance the operating costs of Maryland public schools, of which \$2.95 billion was local revenue. Property taxes account for the largest share of local revenue, representing 28% of total revenue and 40% of local own source revenue. (Local own source revenue excludes intergovernmental assistance). Funding for primary and secondary education constitutes the largest portion of a county's budget, accounting for 44% of county expenditures in fiscal 1997. Nineteen counties spend over one-half of their county budgets on primary and secondary education.

Granting elected school boards fiscal autonomy would significantly impact how both county governments and local school systems are funded. As shown in **Exhibit 1**, 12 counties currently have elected school boards. Under current law, the local boards of education have to rely on the county governing body for the local portion of their funding. Absent the local education maintenance of effort requirement which requires the counties to provide local schools with at least the same amount of funds per pupil as in the previous fiscal year, the determination on the amount of local funding earmarked to public schools is made in the context of other local spending priorities (public safety, public works, and social programs) and revenue constraints (local taxes).

Pursuant to this legislation, local education funding decisions and the establishment of the education property tax rate would be made solely by the board of education without regard for non-educational spending priorities. In addition, in the first year in which the elected school board can impose its own property tax rate, county governments are required to lower their property tax rates by the amount of revenue budgeted for the county boards of education for fiscal 2000. Accordingly, this legislation shifts the local funding source for county government programs from a combination of property, income, and other local taxes to primarily income and other local taxes. (Other local taxes include sales and service taxes,

admission and amusement taxes, public utilities taxes, and recordation taxes.)

**Exhibit 1**  
**Counties with Elected School Boards**

County	Total School Funding (FY 1997)	State Share of School Funding (FY 1997)	Local Share of School Funding (FY 1997)	Percentage of County Budget for Schools
Allegany	\$64,612,901	\$34,213,834	\$21,080,000	51.8%
Calvert	\$78,760,032	\$26,775,522	\$47,504,375	58.7%
Carroll	\$145,000,581	\$57,729,128	\$78,381,029	57.6%
Charles	\$121,396,955	\$49,382,529	\$62,867,600	53.4%
Garrett	\$32,034,607	\$15,109,578	\$11,861,965	56.6%
Howard	\$245,295,140	\$60,000,250	\$177,562,140	45.6%
Kent	\$17,900,356	\$5,896,963	\$10,368,160	56.6%
Montgomery	\$915,141,097	\$119,920,911	\$741,284,871	46.0%
Prince George's	\$736,341,160	\$301,537,148	\$398,700,000	50.8%
St. Mary's	\$81,872,582	\$35,234,177	\$38,774,154	61.3%
Somerset	\$16,173,021	\$9,653,938	\$6,449,083	59.5%
Washington	\$107,646,918	\$49,761,990	\$47,698,473	60.8%

*Source: Department of Legislative Services Local Budget Compilation*

Because public school funding comprises a large share of local spending, most property tax revenues would go to the local boards of education. County governments thus would have to rely on other local revenue sources (income taxes) to fund non-education programs, unless the combined school and county property tax rates exceed current levels. Furthermore, since the local school appropriation in some counties (Montgomery, St. Mary's, and Somerset) is higher than the property tax yield, current property tax rates may have to increase in order to generate enough revenue to meet the minimum required school funding amount. The increased tax revenue could be offset by reducing other local taxes (income tax rate). In addition, the bill could impact counties with property tax limitation measures, such as TRIM in Prince George's County. The impact is not known at this time. **Exhibit 2** shows the property tax yield and local school appropriation for the 12 counties with elected school boards.

**Exhibit 2**  
**Local Property Tax Revenues and School Appropriation**

County	Property Tax Collections FY 97	County Funding for Local Schools - FY 97	County Funding as a Percent of Property Tax Collection
Allegany	\$22.9 million	\$21.1 million	92%
Calvert	\$57.3 million	\$47.5 million	83%
Carroll	\$85.0 million	\$78.4 million	92%
Charles	\$72.2 million	\$62.9 million	87%
Garrett	\$17.8 million	\$11.9 million	67%
Howard	\$197.7 million	\$177.6 million	90%
Kent	\$12 million	\$10.4 million	87%
Montgomery	\$713.1 million	\$741.3 million	104%
Prince George's	\$418.7 million	\$398.7 million	95%
St. Mary's	\$36.7 million	\$38.8 million	106%
Somerset	\$6.3 million	\$6.45 million	102%
Washington	\$53.1 million	\$47.7 million	90%

*Source: Department of Legislative Services Local Budget Compilation*

**Information Source(s):** Department of Legislative Services, Maryland State Department of Education, Carroll County, Harford County, Montgomery County, Prince George's County, Queen Anne's County, Department of Assessments and Taxation

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