

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 654

(Delegate Marriott, *et al.*)

(Baltimore City Administration)

Ways and Means

Political Subdivisions - Special Grant to a County - Disparity Grant Formula

This bill alters the disparity grant formula by ensuring that each county's per capita local income tax revenues will be at least 77.5% of the statewide average.

Fiscal Summary

State Effect: General fund expenditures would increase by \$21.1 million in FY 2003. Future year expenditures reflect growth in county population and local income tax revenues. Revenues would not be affected.

(in millions)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	21.1	23.0	25.1	27.3
Net Effect	\$0	(\$21.1)	(\$23.0)	(\$25.1)	(\$27.3)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: State aid to ten local governments would increase by a total of \$21.1 million in FY 2003 and by \$27.3 million in FY 2006.

Small Business Effect: None.

Analysis

Current Law: The disparity grant formula ensures that each county's per capita local income tax revenue is at least 75% of the statewide average. The fiscal 2002 disparity

grant formula is based on July 1999 population estimates and calendar 1999 local income tax revenues raised from a 2.54% local income tax rate.

Background: The disparity grant addresses the differences in the capacities or abilities of counties to raise revenues from the local income tax. The State began providing disparity grants to counties whose per capita local income tax revenues were less than 70% of the statewide average in fiscal 1992. Local governments receiving the grants were Baltimore City and Allegany, Caroline, Dorchester, Garrett, and Somerset counties. Each county's grant equaled the amount necessary to raise the county's per capita income tax revenues to 70% of the statewide average. Legislation enacted in 1992 placed the disparity grant formula in statute for fiscal 1993 and subsequent years. Legislation enacted in 1996 guaranteed that, beginning in fiscal 1998, each county's per capita local income tax revenues would be 75% of the statewide average, rather than 70%. This change made two counties, Washington and Wicomico, eligible for disparity grants. In fiscal 2001, Prince George's County became eligible for disparity grants.

State and Local Fiscal Effect: Altering the disparity grant formula by ensuring that each county's per capita local income tax revenues are at least 77.5% of the statewide average would increase State expenditures by \$21.1 million in fiscal 2003. This revision would make St. Mary's County eligible for disparity grants. **Exhibit 1** shows the changes in disparity grant aid for each county based on the fiscal 2002 formula calculation. It is assumed that disparity grant aid would increase by 9% each year to reflect growth in county population and local income tax revenues, resulting in a larger increase in State aid than shown in Exhibit 1.

Additional Information

Prior Introductions: Similar bills were introduced at the 2000 session as SB 533 and HB 734. SB 533 was withdrawn and no action was taken on HB 734.

Cross File: SB 451 (Senator McFadden, *et al.*) – Budget and Taxation.

Information Source: Department of Legislative Services

Fiscal Note History: First Reader – March 5, 2001
cm/jr

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Exhibit 1
Disparity Grant Formula
Fiscal 2002 Formula Calculation at 77.5% of Statewide Average Per Capita Income Tax Revenues

County	Adjusted Local Income Tax Revenues	Population July 1, 1999	Tax Yield Per Capita	Per Capita Grant	Total Grants Under Legislation	Total Grants Current Law	Difference
Allegany	\$16,782,757	71,160	\$236	\$84	\$5,999,325	\$5,264,420	\$734,906
Anne Arundel	223,620,278	480,490	465	-	-	-	-
Baltimore City	131,658,409	632,680	208	112	70,895,942	64,361,931	6,534,011
Baltimore	335,752,780	723,920	464	-	-	-	-
Calvert	29,408,247	73,750	399	-	-	-	-
Caroline	6,888,681	29,710	232	88	2,623,063	2,316,232	306,830
Carroll	58,761,242	152,460	385	-	-	-	-
Cecil	27,034,292	84,230	321	-	-	-	-
Charles	42,743,331	120,950	353	-	-	-	-
Dorchester	7,276,451	29,710	245	75	2,235,292	1,928,462	306,830
Frederick	81,100,675	190,870	425	-	-	-	-
Garrett	6,105,977	29,390	208	112	3,303,317	2,999,792	303,526
Harford	85,903,552	217,910	394	-	-	-	-
Howard	144,337,686	243,110	594	-	-	-	-
Kent	6,462,773	19,080	339	-	-	-	-
Montgomery	552,801,499	852,180	649	-	-	-	-
Prince George's	235,335,993	781,780	301	19	14,953,159	6,879,315	8,073,844
Queen Anne's	16,538,131	40,680	407	-	-	-	-
St. Mary's	27,696,074	88,760	312	8	720,700	-	720,700
Somerset	3,755,240	24,240	155	165	4,005,267	3,754,928	250,339
Talbot	17,701,905	33,550	528	-	-	-	-
Washington	38,916,458	127,790	305	16	1,995,884	676,131	1,319,753
Wicomico	23,541,365	79,560	296	24	1,930,001	1,108,344	821,657
Worcester	16,283,510	43,680	373	-	-	-	-
Total	\$2,136,407,305	5,171,640	\$413	\$2	\$108,661,951	\$89,289,556	\$19,372,396

77.5% of State Yield	\$320.15
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