

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE

Senate Bill 768 (Senator Mooney)
 Budget and Taxation

Political Subdivisions - Property Tax - State Grants

This bill requires the State to provide an annual grant to each county equal to \$.11 per \$100 of assessed value of real property located in each county.

The bill is effective July 1, 2001 and is applicable to all fiscal years beginning on July 1, 2002.

Fiscal Summary

State Effect: State general fund expenditures would increase by \$357 million in FY 2003 and increase by 1% in out-years due to increases in assessed value of real property. No effect in FY 2002. 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	357	361	365	369
Net Effect	\$0	(\$357)	(\$361)	(\$365)	(\$369)

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

Local Effect: Local revenues would increase by \$357 million beginning in FY 2003 and be equal to the increase in State expenditures in future years. Expenditures would not be affected.

Small Business Effect: None.

Analysis

Bill Summary: The grant is based on real property which is defined as land, improvements to land, land and nonoperating property of public utilities, operating property of public utilities, and operating property of railroads. The Director of the Department of Assessments and Taxation must certify to the State Comptroller the assessed valuation as of May 1 of each year. The grant shall be paid quarterly to each county by the State Treasurer. The grant must be increased for each county by an amount that equals the lesser of: (1) \$300,000; or (2) the amount, if any, which a levy of \$.03 per \$100 of assessed value of real property is less than the amount of revenue that was realized in the taxable year 1967-1968 by that county from taxation of shares of capital stock of commercial banks, safe deposit and trust companies, and finance companies.

Current Law: The State does not provide a grant to the counties based on property tax assessments. Each county is authorized to collect property taxes on the assessed value of real and personal property located within its jurisdiction.

Background: This same grant was provided to the counties from 1967 until the law was repealed in 1992. The original \$.10 grant was increased to \$.11 in fiscal 1968 where it remained until being repealed. Two policy goals guided the reductions in local aid required by the State's fiscal crisis in the early 1990s: (1) continue the State's commitment to the public schools; and (2) minimize the impact of reductions on jurisdictions with less ability to raise revenues from local sources. In fiscal 1993, nine general government aid programs were eliminated. The impact of these reductions on counties with low taxable wealth was minimized by funding increases in those education aid programs distributing moneys inversely to local wealth and by establishing a new disparity grant targeting aid to low income jurisdictions. The property tax grant, which directed relatively more aid to the higher wealth jurisdictions, was discontinued.

State Expenditures: According to the Department of Assessments and Taxation, the portion of the bill requiring the grant to be increased by the lesser of: (1) \$300,000; or (2) the amount, if any, which a levy of \$.03 per \$100 of assessed value of real property is less than the amount of revenue that was realized in the taxable year 1967-1968 by that county from taxation of shares of capital stock of commercial banks, safe deposit and trust companies, and finance companies is only applicable to Baltimore City. This provision will increase the city's grant by \$300,000 per year.

State general fund expenditures will increase by \$356,978,079 in fiscal 2003, increasing 1% annually thereafter to reflect growth in assessed property values. The total assessed value of real property for fiscal 2003 is estimated at \$324,254,617,000. Providing the

counties a grant based on \$.11 per \$100 of assessed value (plus an extra \$300,000 for Baltimore City) would total \$356,978,079.

Local Revenues: County revenues will increase in an amount equal to the State general fund expenditures. The chart below provides a breakdown of the grant amounts by county for fiscal 2003.

<u>County</u>	<u>Grant Amount</u>
Allegany	\$2,397,013
Anne Arundel	38,524,611
Baltimore City	19,990,358
Baltimore	46,985,703
Calvert	6,003,592
Caroline	1,472,647
Carroll	10,637,571
Cecil	5,229,032
Charles	8,123,088
Dorchester	1,623,917
Frederick	14,074,103
Garrett	2,046,034
Harford	13,414,464
Howard	22,157,601
Kent	1,500,079
Montgomery	87,367,629
Prince George's	43,081,545
Queen Anne's	3,656,863
St. Mary's	5,694,659
Somerset	745,286
Talbot	4,053,086
Washington	7,130,616
Wicomico	3,922,764
Worcester	<u>7,145,818</u>
Total	\$356,978,079

Additional Comments: This bill was also introduced during the 2000 session as HB 644 with an estimated cost to the State general fund of \$136 million. The estimated cost has increased significantly for this bill because starting in fiscal 2002 the State will begin to assess property at full value instead of 40% of full value. Therefore, the assessable base has increased by 60% and the grant amount has increased proportionately.

Additional Information

Prior Introductions: HB 644 of the 2000 session did not receive a report from the House Appropriations Committee.

Cross File: HB 479 (Delegate Elliott, *et al.*) – Appropriations.

Information Source(s): Department of Legislative Services

Fiscal Note History: First Reader – February 15, 2001
jm/jr

Analysis by: Karen S. Benton

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510