

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 484
Ways and Means

(Delegate Hixson, *et al.*)

Task Force to Study the County and Municipal Revenue Structure

This bill establishes a Task Force to Study the County and Municipal Revenue Structure. The task force must study and evaluate the revenue structure of county and municipal governments within the State and make recommendations regarding the authority of county and municipal governments to increase sources of revenue. The task force must submit a preliminary report of its findings and recommendations to the Governor, the Senate Budget and Taxation Committee, the House Appropriations Committee, and the House Ways and Means Committee by November 30, 2009. A final report of its findings and recommendations is due to the Governor and the General Assembly by December 31, 2009. The Department of Legislative Services must provide staff support for the task force.

The bill takes effect July 1, 2009, and terminates June 30, 2010.

Fiscal Summary

State Effect: The Department of Legislative Services can handle the staffing requirement with existing budgeted resources; however, limited staff resources may be diverted from other responsibilities. Any expense reimbursements for commission members are assumed to be minimal and absorbable within existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Background: County and municipal governments in Maryland spend over \$21 billion annually on public services. Counties, including Baltimore City, are the primary unit of local government and are responsible for most basic services such as police, fire, local corrections, sanitation, local highways, health, and parks and recreation. Counties are also responsible for funding public schools, libraries, local community colleges, and the circuit courts. Compared to counties, municipal corporations in Maryland provide a more limited array of public services. Public works and public safety are the two largest functions of municipal governments. In fiscal 2005, county governments, including Baltimore City, accounted for 95.3% of total local government expenditures; whereas, municipal governments accounted for only 4.7%. However, in five counties, municipal governments accounted for over 15% of local government expenditures (**Exhibit 1**).

State aid is the largest revenue source for most county governments in Maryland. Property and income taxes are the largest locally generated revenue sources for counties. Service charges (*e.g.*, sewer and water charges) and property taxes are the largest revenue sources for municipalities in the State. Yet, the relative proportion of revenue sources varies considerably among counties and among municipalities as shown in **Exhibits 2 and 3**. Federal grants account for a small percentage of local government revenues.

Additional Information

Prior Introductions: None.

Cross File: SB 379 (Senator Robey, *et al.*) - Budget and Taxation.

Information Source(s): Department of Legislative Services, Department of Budget and Management, Comptroller's Office, Maryland Municipal League

Fiscal Note History: First Reader - February 15, 2009
mcp/mwc

Analysis by: Scott P. Gates

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

Exhibit 1
Local Government Expenditures
Fiscal 2005

County	County (\$ in Millions)	Municipal (\$ in Millions)	Total (\$ in Millions)	Percent County	Percent Municipal
Allegany	\$216.1	\$45.6	\$261.7	82.6%	17.4%
Anne Arundel	1,647.6	72.7	1,720.3	95.8%	4.2%
Baltimore City	2,756.9	0.0	2,756.9	100.0%	0.0%
Baltimore	2,326.4	0.0	2,326.4	100.0%	0.0%
Calvert	294.8	7.7	302.6	97.4%	2.6%
Caroline	88.6	12.9	101.5	87.3%	12.7%
Carroll	501.7	39.6	541.3	92.7%	7.3%
Cecil	247.5	22.5	270.0	91.7%	8.3%
Charles	524.4	12.3	536.7	97.7%	2.3%
Dorchester	94.2	19.6	113.9	82.7%	17.3%
Frederick	691.1	106.1	797.3	86.7%	13.3%
Garrett	108.4	5.9	114.3	94.8%	5.2%
Harford	738.5	38.7	777.1	95.0%	5.0%
Howard	1,146.5	0.0	1,146.5	100.0%	0.0%
Kent	58.8	6.5	65.3	90.0%	10.0%
Montgomery	4,318.3	165.5	4,483.8	96.3%	3.7%
Prince George's	2,903.4	122.5	3,025.9	96.0%	4.0%
Queen Anne's	143.9	4.6	148.5	96.9%	3.1%
St. Mary's	283.5	2.3	285.8	99.2%	0.8%
Somerset	61.8	5.5	67.3	91.8%	8.2%
Talbot	86.5	68.4	154.9	55.9%	44.1%
Washington	328.5	84.1	412.6	79.6%	20.4%
Wicomico	259.7	44.6	304.3	85.3%	14.7%
Worcester	195.3	107.4	302.7	64.5%	35.5%
Statewide	\$20,022.5	\$995.1	\$21,017.5	95.3%	4.7%

Source: *Local Government Finances Fiscal 2005*, Department of Legislative Services

Exhibit 2
County Revenues by Source – Fiscal 2005

County	Property Taxes	Income Taxes	Other Taxes	Service Charges	Federal Grants	State Grants	Other
Allegany	13.5%	10.0%	1.9%	15.3%	13.7%	39.8%	5.8%
Anne Arundel	25.8%	19.3%	10.0%	12.7%	5.1%	22.1%	5.1%
Baltimore City	19.3%	7.2%	5.8%	12.6%	13.3%	37.0%	4.9%
Baltimore	25.9%	22.2%	7.2%	9.2%	7.9%	23.6%	4.0%
Calvert	26.4%	18.2%	4.9%	10.1%	4.4%	31.2%	4.8%
Caroline	17.6%	10.8%	4.6%	4.2%	10.3%	47.6%	5.0%
Carroll	26.5%	20.7%	5.0%	6.2%	5.4%	31.1%	5.1%
Cecil	26.5%	16.4%	3.5%	5.9%	7.1%	36.2%	4.4%
Charles	24.0%	15.7%	6.8%	10.3%	7.1%	31.6%	4.5%
Dorchester	19.2%	10.2%	7.6%	6.9%	11.1%	39.9%	5.2%
Frederick	25.2%	18.9%	6.2%	13.4%	4.7%	27.2%	4.4%
Garrett	24.4%	8.0%	8.1%	6.1%	9.1%	36.2%	8.2%
Harford	25.9%	19.8%	4.4%	6.9%	6.1%	29.2%	7.6%
Howard	30.0%	23.4%	7.7%	9.1%	3.2%	19.9%	6.7%
Kent	28.5%	13.9%	5.1%	4.6%	9.8%	33.6%	4.5%
Montgomery	26.2%	22.9%	11.6%	14.4%	6.1%	13.9%	4.9%
Prince George's	21.8%	13.1%	10.6%	12.8%	7.7%	27.9%	6.1%
Queen Anne's	28.0%	18.8%	6.1%	8.7%	7.5%	25.0%	5.9%
St. Mary's	20.3%	18.8%	8.8%	8.3%	8.1%	32.4%	3.4%
Somerset	15.7%	10.6%	2.3%	7.1%	10.4%	48.6%	5.2%
Talbot	22.9%	19.8%	13.9%	7.9%	7.9%	21.8%	5.7%
Washington	21.7%	15.5%	3.6%	8.6%	10.1%	33.1%	7.3%
Wicomico	19.6%	14.7%	3.0%	10.7%	9.0%	39.7%	3.3%
Worcester	35.7%	6.3%	17.7%	9.8%	6.9%	20.1%	3.5%
Statewide	24.2%	17.3%	8.3%	11.6%	7.6%	25.8%	5.2%

Source: *Local Government Finances Fiscal 2005*, Department of Legislative Services

Exhibit 3
Municipal Revenues by Source – Fiscal 2005

County	Property Taxes	Income Taxes	Other Taxes	Service Charges	Federal Grants	State Grants	County Sources	Other
Allegany	22.3%	4.8%	0.2%	44.2%	11.2%	12.7%	0.9%	3.7%
Anne Arundel	32.2%	5.7%	1.8%	34.5%	2.6%	11.0%	3.6%	8.6%
Calvert	37.4%	9.5%	4.3%	27.4%	0.7%	9.5%	0.5%	10.7%
Caroline	27.9%	4.4%	0.3%	30.6%	15.3%	14.9%	0.4%	6.2%
Carroll	22.9%	10.1%	0.7%	32.6%	8.9%	12.2%	5.4%	7.2%
Cecil	29.6%	6.0%	1.1%	43.6%	0.1%	11.7%	2.1%	5.8%
Charles	21.1%	8.4%	0.1%	39.1%	0.1%	9.9%	1.9%	19.4%
Dorchester	24.3%	2.7%	0.6%	35.6%	11.2%	12.1%	5.7%	7.9%
Frederick	32.8%	7.4%	0.5%	31.0%	4.2%	6.8%	6.6%	10.6%
Garrett	21.6%	6.2%	1.0%	31.0%	0.4%	26.1%	1.6%	12.1%
Harford	33.6%	7.3%	0.5%	30.1%	0.7%	7.1%	3.5%	17.1%
Kent	22.4%	6.3%	1.2%	27.3%	0.0%	28.4%	6.3%	8.0%
Montgomery	35.5%	17.0%	1.7%	17.5%	2.3%	7.3%	8.1%	10.6%
Prince George's	52.0%	13.8%	1.6%	8.2%	1.1%	9.2%	2.7%	11.2%
Queen Anne's	23.4%	6.0%	0.0%	36.2%	1.7%	18.1%	4.0%	10.6%
St. Mary's	7.3%	8.3%	0.1%	40.1%	0.0%	20.2%	9.4%	14.5%
Somerset	27.1%	4.0%	1.0%	29.6%	2.5%	21.4%	0.1%	14.3%
Talbot	11.0%	1.9%	0.1%	66.6%	0.5%	2.2%	0.8%	16.8%
Washington	18.1%	3.2%	2.0%	51.5%	2.0%	6.0%	1.4%	15.9%
Wicomico	32.5%	4.4%	2.5%	32.6%	0.9%	7.0%	1.7%	18.4%
Worcester	31.4%	1.4%	3.2%	37.4%	1.6%	4.2%	11.3%	9.6%
Statewide	31.0%	7.8%	1.4%	32.6%	2.9%	8.2%	4.7%	11.4%

Source: *Local Government Finances Fiscal 2005*, Department of Legislative Services