

Department of Legislative Services
2012 Session

FISCAL AND POLICY NOTE

House Bill 180
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, 2012. A final report is due to the Governor and the General Assembly by December 31, 2012. The Department of Legislative Services must provide staff support for the task force.

The bill takes effect July 1, 2012, and terminates June 30, 2013.

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 task force 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 \$27.8 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, municipalities 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 2010, county governments, including Baltimore City, accounted for 95.3% of total local government expenditures; whereas, municipal governments accounted for only 4.7%. However, in four 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: SB 379 of 2009 received a hearing in the Senate Budget and Taxation Committee, but no further action was taken. Its cross file, HB 484, received a hearing in the House Ways and Means Committee but no further action was taken.

Cross File: None.

Information Source(s): Maryland Association of Counties, Maryland Municipal League, Department of Legislative Services

Fiscal Note History: First Reader - February 2, 2012
ncs/hlb

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**Exhibit 1
Local Government Expenditures – Fiscal 2010**

County	County (\$ in Millions)	Municipal (\$ in Millions)	Total (\$ in Millions)	Percent County	Percent Municipal
Allegany	\$261.2	\$55.1	\$316.3	82.6%	17.4%
Anne Arundel	2,077.7	107.1	2,184.8	95.1%	4.9%
Baltimore City	3,580.8	0.0	3,580.8	100.0%	0.0%
Baltimore	3,061.6	0.0	3,061.6	100.0%	0.0%
Calvert	404.6	10.9	415.5	97.4%	2.6%
Caroline	132.0	13.4	145.4	90.8%	9.2%
Carroll	684.2	48.7	733.0	93.3%	6.7%
Cecil	356.7	34.2	390.9	91.3%	8.7%
Charles	681.1	14.3	695.3	97.9%	2.1%
Dorchester	139.1	23.5	162.6	85.5%	14.5%
Frederick	1,019.4	142.0	1,161.4	87.8%	12.2%
Garrett	139.7	7.7	147.5	94.8%	5.2%
Harford	1,107.3	54.1	1,161.4	95.3%	4.7%
Howard	1,513.2	0.0	1,513.2	100.0%	0.0%
Kent	79.4	9.8	89.2	89.0%	11.0%
Montgomery	5,493.5	188.8	5,682.3	96.7%	3.3%
Prince George's	3,894.8	178.8	4,073.6	95.6%	4.4%
Queen Anne's	206.1	8.0	214.1	96.3%	3.7%
St. Mary's	374.3	3.7	378.0	99.0%	1.0%
Somerset	87.9	8.5	96.4	91.2%	8.8%
Talbot	112.3	71.2	183.5	61.2%	38.8%
Washington	495.9	115.2	611.1	81.1%	18.9%
Wicomico	356.5	60.6	417.1	85.5%	14.5%
Worcester	252.5	138.6	391.0	64.6%	35.4%
Statewide	\$26,511.6	\$1,294.1	\$27,805.7	95.3%	4.7%

Source: *Local Government Finances Fiscal 2010*, Department of Legislative Services

Exhibit 2
County Revenues by Source – Fiscal 2010

County	Property Taxes	Income Taxes	Other Taxes	Service Charges	Federal Grants	State Grants	Other
Allegany	14.8%	8.7%	1.3%	9.3%	12.8%	46.5%	6.6%
Anne Arundel	29.3%	18.6%	5.5%	13.6%	6.0%	23.5%	3.5%
Baltimore City	22.2%	6.5%	4.2%	12.4%	14.2%	36.4%	4.0%
Baltimore	29.7%	17.9%	3.8%	10.5%	9.2%	26.4%	2.5%
Calvert	35.7%	15.0%	1.7%	7.9%	4.3%	31.7%	3.7%
Caroline	18.7%	8.1%	1.6%	4.2%	10.1%	53.6%	3.7%
Carroll	32.3%	17.4%	2.4%	4.9%	5.4%	34.4%	3.2%
Cecil	28.6%	13.3%	1.6%	5.5%	8.3%	39.2%	3.4%
Charles	29.2%	13.3%	2.4%	10.3%	7.9%	33.2%	3.6%
Dorchester	23.7%	7.1%	2.9%	5.5%	13.5%	43.4%	3.8%
Frederick	30.3%	15.3%	2.6%	12.7%	6.3%	29.4%	3.4%
Garrett	32.6%	7.0%	4.3%	6.9%	13.4%	30.9%	4.9%
Harford	30.5%	16.4%	2.5%	6.2%	7.7%	31.5%	5.2%
Howard	34.3%	20.4%	5.9%	8.5%	3.2%	23.2%	4.5%
Kent	36.7%	12.4%	2.3%	4.2%	12.4%	27.9%	4.0%
Montgomery	29.4%	21.1%	7.9%	13.7%	7.3%	17.0%	3.6%
Prince George's	27.7%	11.0%	6.7%	11.0%	9.0%	28.7%	5.9%
Queen Anne's	31.3%	15.7%	2.5%	8.3%	9.3%	27.9%	5.0%
St. Mary's	24.7%	17.0%	3.6%	11.1%	7.7%	33.7%	2.1%
Somerset	18.8%	7.4%	0.8%	6.6%	13.3%	50.9%	2.2%
Talbot	27.0%	18.3%	6.5%	9.0%	8.8%	23.7%	6.6%
Washington	26.2%	11.5%	2.0%	7.9%	8.0%	40.1%	4.3%
Wicomico	17.8%	11.0%	1.4%	9.3%	10.0%	47.3%	3.2%
Worcester	52.8%	4.5%	9.6%	7.6%	7.4%	16.0%	2.0%
Statewide	28.4%	15.0%	5.1%	11.0%	8.6%	27.9%	4.0%

Source: *Local Government Finances Fiscal 2010*, Department of Legislative Services

Exhibit 3
Municipal Revenues by Source – Fiscal 2010

County	Property Taxes	Income Taxes	Other Taxes	Service Charges	Federal Grants	State Grants	County Grants	Other
Allegany	19.2%	4.2%	0.3%	36.5%	7.9%	5.8%	0.7%	25.4%
Anne Arundel	44.2%	5.5%	1.1%	26.5%	5.5%	5.7%	3.6%	7.9%
Calvert	40.9%	1.9%	10.9%	31.9%	0.4%	8.0%	2.4%	3.7%
Caroline	43.3%	3.9%	0.2%	29.3%	6.3%	6.1%	0.1%	10.9%
Carroll	31.4%	9.7%	0.7%	35.6%	6.2%	3.6%	6.1%	6.7%
Cecil	32.3%	5.9%	0.3%	40.4%	2.2%	11.5%	2.8%	4.6%
Charles	30.8%	9.3%	0.0%	39.6%	1.6%	7.7%	0.1%	10.8%
Dorchester	39.0%	2.9%	0.5%	39.1%	2.7%	5.1%	6.5%	4.3%
Frederick	38.6%	6.2%	0.4%	31.8%	3.4%	3.9%	5.4%	10.3%
Garrett	17.7%	5.5%	1.2%	25.8%	19.5%	4.7%	3.4%	22.3%
Harford	42.1%	5.8%	0.5%	28.6%	0.9%	7.0%	5.2%	9.8%
Kent	37.7%	6.8%	1.2%	35.2%	1.4%	5.6%	3.3%	8.7%
Montgomery	38.6%	16.4%	1.8%	18.6%	2.3%	3.7%	5.3%	13.4%
Prince George's	58.3%	10.2%	1.1%	7.2%	2.9%	7.9%	2.6%	9.8%
Queen Anne's	40.3%	6.2%	0.1%	30.2%	0.3%	9.3%	3.4%	10.2%
St. Mary's	8.4%	5.9%	0.1%	29.9%	0.6%	4.4%	6.1%	44.5%
Somerset	42.3%	2.6%	0.7%	17.8%	1.3%	24.6%	3.5%	7.2%
Talbot	20.8%	2.1%	0.1%	66.7%	0.2%	2.0%	1.0%	7.1%
Washington	23.0%	2.7%	2.3%	51.1%	3.5%	2.2%	2.2%	13.1%
Wicomico	42.7%	3.4%	1.9%	32.1%	2.0%	10.1%	1.6%	6.1%
Worcester	38.0%	0.8%	1.9%	34.9%	2.9%	3.7%	12.7%	5.0%
Statewide	37.7%	6.8%	1.2%	30.8%	3.2%	5.3%	4.4%	10.4%

Source: *Local Government Finances Fiscal 2010*, Department of Legislative Services