



# Maryland

DEPARTMENT OF BUDGET  
AND MANAGEMENT

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## **HOUSE BILL 793 Local Governments – Income Tax Disparity Grants – Amounts (Anderton)**

### **STATEMENT OF INFORMATION**

**DATE: February 17, 2021**

**COMMITTEE: House Appropriations**

**SUMMARY OF BILL:** HB 793 alters the enhanced State funding provided under the disparity grant program to jurisdictions with a local income tax rate of 3.2% by: (1) increasing the minimum grant amount from 67.5% to **80%**; and (2) making the grant permanent. As a result, eligible jurisdictions will receive at least 80% of their formula allocation under the disparity grant program beginning in FY 2023.

**EXPLANATION:** The Department of Budget and Management's focus is not on the underlying policy proposal being advanced by the legislation, but rather on the permanent increase in local aid. HB 793 allocates \$19.7 million to eligible jurisdictions (Caroline, Dorchester, Prince George's, Somerset, Washington, and Wicomico counties) in FY 2023. HB 637 that was vetoed by the Governor in 2020 and was overridden by the General Assembly increased the grant amount to 75%.

DBM has the responsibility of submitting a balanced budget to the General Assembly annually, which requires spending allocations for FY 2022 to be within the official revenues estimates approved by the Board of Revenue Estimates in December 2020.

Economic conditions remain precarious as a result of COVID-19, making revenue predictions for the remainder of FY 2021 and FY 2022 highly volatile. Many individuals and households are unemployed or underemployed, with many industry sectors operating at much less than 100% capacity. Federal stimulus programs are providing much needed relief, but the impact of the COVID-19 pandemic continues to present a significant budgetary vulnerability.

The General Assembly and Administration have successfully enacted the Governor's emergency Recovery for the Economy, Livelihoods, Industries, Entrepreneurs, and Families Act (SB 496 RELIEF Act), which provides \$1.2 billion in direct stimulus and tax relief for Maryland working families, small businesses, and those who have lost their jobs as a result of the COVID-19 pandemic. It is incumbent upon us to allow the impact of this unprecedented relief package on the State's economy to take effect. Further mandated spending increases need to be reevaluated within the context of an ongoing pandemic.

**For additional information, contact Barbara Wilkins at  
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