



TESTIMONY

COMMITTEE: Senate Budget and Taxation

DATE: March 31, 2026

POSITION: Favorable

BILL: HB 1142

On behalf of the Maryland Municipal League (MML), representing 161 municipal governments and the nearly two million residents they serve, we respectfully submit this testimony in strong support of House Bill 1142.

This legislation is the League's top priority for the 2026 session. While it is true that Maryland's municipal revenue structure has not had a meaningful update in nearly sixty years, the crisis we face is not merely one of age—it is one of impact. By operating under a financial model from 1967, we are burdening Maryland's families and hindering our state's greater economic potential. HB 1142 establishes a Task Force to finally modernize an outdated, unsustainable system that limits local flexibility and threatens the long-term fiscal health of our communities.

The Crisis of Over-Reliance on Property Taxes

Municipal governments are on the front lines, providing essential daily services—clean water, public safety, and road maintenance—to one-quarter of Maryland's population. However, the capacity to fund these services is severely constrained by a financial model that is failing.

- **Unsustainable Pressure:** Property taxes currently account for **50% of the average municipal general fund budget**. Continuously raising this single lever is both unsustainable and inequitable, directly threatening housing affordability for seniors, working families, and those hoping to buy their first home.
- **An Outdated Framework:** Our last significant "bite at the revenue apple" was in 1967, when local governments were allowed to "piggyback" on income tax. Since then, mandates on and overall resident expectations of cities and towns have grown dramatically, while our revenue options have remained stagnant.
- **Capturing Economic Impact:** Municipalities occupy less than 5% of Maryland's land mass, yet they generate one-third of all state sales and use tax revenue. Despite this massive contribution to the state's economy, the current structure forces our residents to subsidize non-residents and tourists who use local infrastructure without contributing to the costs.

Why a Task Force is the Solution

HB 1142 is a call for a **holistic and inclusive** approach to Maryland's financial future. By creating a Task Force to Modernize County and Municipal Revenue Structures, the General Assembly is making a vital investment in some of the state's largest economic engines.

A modernized and diversified revenue structure is not just a municipal or county need; it is essential for a thriving, competitive Maryland economy. Equipping local leaders with modern financial tools ensures they can continue providing the essential services, drive reinvestment, stabilize housing, and unlock the state's true economic potential.

Conclusion

The time to address these systemic challenges is now. We cannot continue to rely on a 1960s financial model to solve 2020s problems. House Bill 1142 provides the necessary path toward a fair, flexible, and sustainable funding model for all Marylanders.

The Maryland Municipal League urges a **favorable report** on House Bill 1142.

For more information relating to this piece of testimony, please contact:

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