

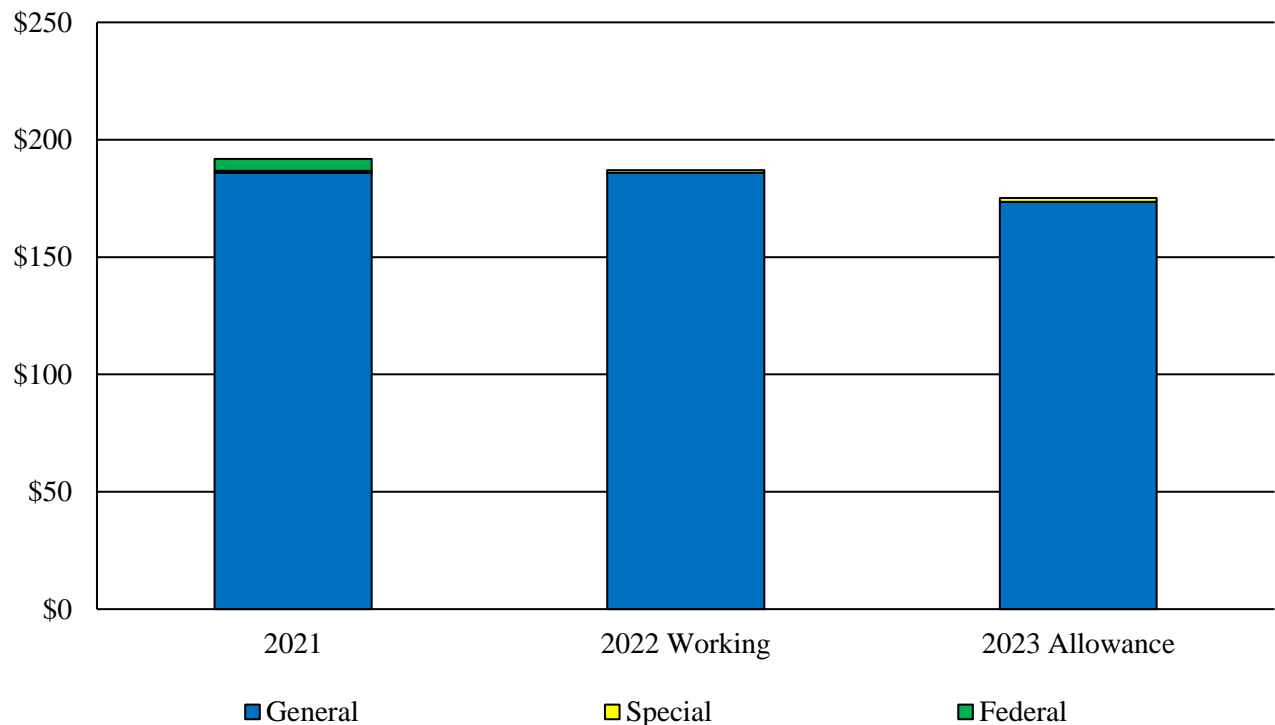
A15000 Payments to Civil Divisions of the State

Program Description

Miscellaneous State grant programs that provide funds to Maryland's local jurisdictions are budgeted under Payments to Civil Divisions of the State. These include disparity grants to low-wealth jurisdictions and grants to mitigate the impact of the local assumption of a portion of teacher retirement costs. Beginning with fiscal 2018, grants from the Calvert County Gaming Tax Fund are also included.

Operating Budget Summary

Fiscal 2023 Budget Decreases \$12 Million, or 6.4%, to \$175.1 Million
(\$ in Millions)



Federal Stimulus Funds

Fiscal 2021 spending includes \$5 million in federal funds from the American Rescue Plan Act to supplement the disparity grants for Dorchester, Prince George's, and Wicomico counties.

Fiscal 2023 Allowance

Exhibit 1 provides a summary of funding by jurisdiction for all the grant programs in fiscal 2023 budgeted under Payments to Civil Divisions of the State. Approximately 45% of the disparity grant allowance in fiscal 2023 is provided to Baltimore City with 30% of the total going to Prince George’s County. The remaining 25% goes to eight other jurisdictions. Each county’s Teacher Retirement Supplemental Grant amount is set in statute.

Exhibit 1
Overview of Payments to Civil Divisions
Fiscal 2023 Allowance
(\$ in Thousands)

<u>County</u>	<u>Disparity Grant</u>	<u>Teacher Retirement Supplemental Grant</u>	<u>Calvert County Gaming Grants</u>	<u>Total</u>
Allegany	\$7,299	\$1,632		\$8,931
Anne Arundel				
Baltimore City	64,878	10,048		74,925
Baltimore		3,000		3,000
Calvert			\$1,600	1,600
Caroline	3,309	685		3,994
Carroll				
Cecil	215			215
Charles				
Dorchester	3,830	309		4,139
Frederick				
Garrett	2,131	406		2,538
Harford				
Howard				
Kent				
Montgomery				
Prince George’s	43,704	9,629		53,333
Queen Anne’s				
St. Mary’s				
Somerset	5,937	382		6,319
Talbot				
Washington	3,834			3,834
Wicomico	10,713	1,568		12,281
Worcester				
Total	\$145,849	\$27,659	\$1,600	\$175,108

Source: Governor’s Fiscal 2023 Budget Books

Proposed Budget Change

General fund spending for disparity grants declines by \$12.4 million, as shown in **Exhibit 2**. Disparity grants decline in all jurisdictions except Prince George’s County, where it increases by \$7.4 million, or 21%, and Dorchester County, where it increases by approximately \$97,000, or 2.6%. Baltimore City’s grant declines by \$11.3 million, or 15%, and Washington County’s grant declines by \$4.5 million, or 54.1%.

Exhibit 2 Proposed Budget Payments to Civil Divisions of the State (\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Total
Fiscal 2021 Actual	\$185,980	\$783	\$5,000	\$191,764
Fiscal 2022 Working Appropriation	185,875	1,220	0	187,095
Fiscal 2023 Allowance	<u>173,508</u>	<u>1,600</u>	<u>0</u>	<u>175,108</u>
Fiscal 2022-2023 Amount Change	-\$12,368	\$380	\$0	-\$11,988
Fiscal 2022-2023 Percent Change	-6.7%	31.1%		-6.4%
Where It Goes:				
Disparity Grants				
Prince George’s County				\$7,430
Dorchester County				97
Caroline County				-727
Somerset County				-820
Wicomico County				-1,119
Cecil County				-1,386
Washington County				-4,527
Baltimore City				-11,316
Other Changes				
Calvert County gaming grants				380
Total				-\$11,988

Note: Numbers may not sum to total due to rounding.

The changes are formula driven. Prince George’s County’s population grew more than its tax revenues, leading to an increase in its per capita grant amount. In addition, recent statutory changes have made counties like Prince George’s that have a 3.2% tax rate eligible for 75% of their capped grant amount. Baltimore City, meanwhile, has seen a population decline, while tax revenues have remained stable. This leads to a lower per capita grant amount. Washington County reduced its tax rate,

which reduces the amount that it is eligible to receive based on the statutory cap of 40% of its 2010 grant.

Disparity Grants

State funding targeted to the disparity in local income tax capacity is found in Local Government Article, § 16-501. The Disparity Grant Program provides noncategorical State aid to low-wealth jurisdictions for county government purposes. Disparity grants address the difference in the abilities of counties to raise revenues from the local income tax, which for most counties is one of their larger revenue sources.

Counties with per capita income tax revenues less than 75% of the statewide average receive grants unless a county has an income tax rate below 2.6%. Under current law, aid received by counties equals the lesser of the dollar amount necessary to raise the county's per capita income tax revenues to 75% of the statewide average or the amount received under the cap provisions. The original cap provision did not allow counties to receive an amount higher than what that county received from the State in fiscal 2010. However, Chapter 425 of 2013 changed the disparity grant formula cap provisions in order to take into account a local jurisdiction's income tax effort.

Eligible counties, where the amount necessary to raise that county's per capita income tax rate to 75% of the statewide average is more than that county received from the State in fiscal 2010, are set to receive the greater of the dollar amount received from the State in fiscal 2010 or a proportion of the amount necessary to raise the county's per capita income tax revenues to 75% of the statewide average. The proportional amount is based on that particular county's income tax rate, as follows:

- from a tax rate of 2.8% to 2.99%, 20% of the uncapped grant amount;
- from a tax rate of 3% to 3.19%, 40% of the uncapped grant amount; and
- at a tax rate of 3.2% (the maximum), 75% of the uncapped grant amount.

The disparity grant calculation under current law for fiscal 2023 is shown in **Exhibit 3**.

Exhibit 3
Disparity Grant Calculation
Fiscal 2023

<u>County</u>	<u>Per Capita Tax Yield</u>	<u>Per Capita Grant</u>	<u>Uncapped Grant Fiscal 2023</u>	<u>(Cap) Fiscal 2010</u>	<u>Grant Amount Fiscal 2023</u>	<u>Grant Amount Fiscal 2022</u>	<u>Difference to Fiscal 2022</u>	<u>Piggyback Calendar 2022</u>
Allegany	\$374.99	\$205.33	\$13,984,173	\$7,298,505	\$7,298,505	\$7,298,505	\$0	3.05%
Anne Arundel	902.15	\$0.00	0	0	0	0	0	2.81%
Baltimore City	469.55	110.77	64,877,813	79,051,790	64,877,813	76,194,238	-11,316,425	3.20%
Baltimore	733.01	\$0.00	0	0	0	0	0	3.20%
Calvert	841.81	\$0.00	0	0	0	0	0	3.00%
Caroline	447.82	132.50	4,411,453	2,131,782	3,308,590	4,035,410	-726,820	3.20%
Carroll	842.95	\$0.00	0	0	0	0	0	3.03%
Cecil	575.15	\$5.18	536,959	0	214,784	1,601,242	-1,386,458	3.00%
Charles	683.36	\$0.00	0	0	0	0	0	3.03%
Dorchester	423.35	156.97	5,106,477	2,022,690	3,829,857	3,732,681	97,177	3.20%
Frederick	823.15	\$0.00	0	0	0	0	0	2.96%
Garrett	479.03	101.29	2,917,761	2,131,271	2,131,271	2,131,271	0	2.65%
Harford	781.17	\$0.00	0	0	0	0	0	3.06%
Howard	1,131.03	\$0.00	0	0	0	0	0	3.20%
Kent	619.64	\$0.00	0	0	0	0	0	3.20%
Montgomery	1,160.73	\$0.00	0	0	0	0	0	3.20%
Prince George's	520.08	60.25	58,271,883	21,694,767	43,703,912	36,273,413	7,430,499	3.20%
Queen Anne's	911.41	\$0.00	0	0	0	0	0	3.20%
St. Mary's	747.63	\$0.00	0	0	0	0	0	3.10%
Somerset	258.78	321.54	7,916,429	4,908,167	5,937,322	6,757,320	-819,998	3.20%
Talbot	890.77	\$0.00	0	0	0	0	0	2.40%
Washington	518.36	61.96	9,585,705	0	3,834,282	8,360,845	-4,526,563	3.00%
Wicomico	442.43	137.89	14,283,658	2,197,041	10,712,743	11,831,757	-1,119,013	3.20%
Worcester	664.50	0.00	0	0	0	0	0	2.25%
Avg/Total	\$773.76	n/a	\$181,892,309	\$121,436,013	\$145,849,079	\$158,216,681	-\$12,367,602	
<i>Target 75%</i>	<i>\$580.32</i>							

Note: Totals may not sum due to rounding. Fiscal 2022 grant amount includes funding provided in a supplemental budget beyond the formula amounts.

Source: Department of Legislative Services

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Appendix 1
Object/Fund Difference Report
Payments to Civil Divisions of the State

<u>Object/Fund</u>	<u>FY 21 Actual</u>	<u>FY 22 Working Appropriation</u>	<u>FY 23 Allowance</u>	<u>FY 22 - FY 23 Amount Change</u>	<u>Percent Change</u>
Objects					
12 Grants, Subsidies, and Contributions	\$ 191,763,604	\$ 187,095,343	\$ 175,107,742	-\$ 11,987,601	-6.4%
Total Objects	\$ 191,763,604	\$ 187,095,343	\$ 175,107,742	-\$ 11,987,601	-6.4%
Funds					
01 General Fund	\$ 185,980,184	\$ 185,875,343	\$ 173,507,742	-\$ 12,367,601	-6.7%
03 Special Fund	783,420	1,220,000	1,600,000	380,000	31.1%
05 Federal Fund	5,000,000	0	0	0	0.0%
Total Funds	\$ 191,763,604	\$ 187,095,343	\$ 175,107,742	-\$ 11,987,601	-6.4%

Note: The fiscal 2022 working appropriation includes deficiency appropriations. The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.