

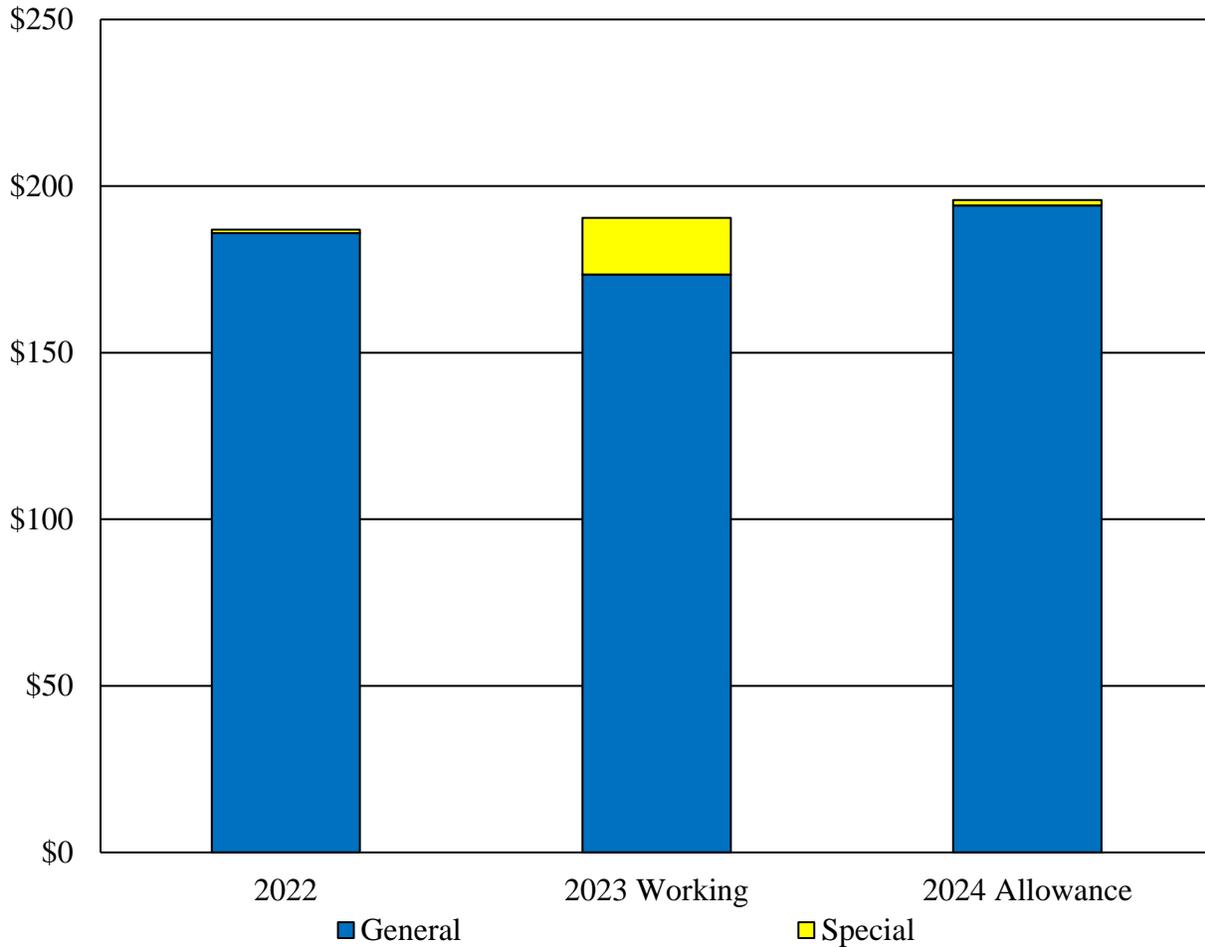
A15000 Payments to Civil Divisions of the State

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. Grants from the Calvert County Gaming Tax Fund have also been included since fiscal 2018.

Operating Budget Summary

Fiscal 2024 Budget Increases \$5.3 Million, or 2.8%, to \$195.8 Million
(\$ in Millions)



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Fiscal 2024 Allowance

Exhibit 1 provides a summary of funding included in the fiscal 2024 allowance by jurisdiction for all the grant programs budgeted under Payments to Civil Divisions of the State. The Disparity Grant is calculated by a formula set in statute, while each county’s Teacher Retirement Supplemental Grant amount is set in statute.

Exhibit 1
Overview of Payments to Civil Divisions
Fiscal 2024 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	\$2,192	\$1,632		\$3,824
Anne Arundel				
Baltimore City	72,447	10,048		82,495
Baltimore		3,000		3,000
Calvert			\$1,600	1,600
Caroline	3,735	685		4,420
Carroll				
Cecil	306			306
Charles				
Dorchester	3,577	309		3,886
Frederick				
Garrett	2,025	406		2,431
Harford				
Howard				
Kent				
Montgomery				
Prince George’s	61,179	9,629		70,807
Queen Anne’s				
St. Mary’s				
Somerset	6,186	382		6,568
Talbot				
Washington	2,652			2,652
Wicomico	12,232	1,568		13,800
Worcester				
Total	\$166,530	\$27,659	\$1,600	\$195,789

Source: Governor’s Fiscal 2024 Budget Books

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 per capita tax revenue 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.

A cap on the grant is set at the county's fiscal 2010 grant amount. However, if an eligible county's grant amount determined by the formula is higher than the county's maximum grant amount, the county is provided a portion of the uncapped amount. The size of the grant is then based on the county 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.

Allowance Underfunds Disparity Grants

As discussed above, one of the components of the formula to calculate the Disparity Grant is each county's income tax revenue from the prior tax year. In the case of the fiscal 2024 allowance, the tax year used for the calculation is tax year 2021. The Comptroller of Maryland annually produces a report that includes this information; the report was provided in early December 2022. However, delays in processing tax returns led the Comptroller to issue a revised report in January 2023 showing 20% increases in county tax revenues rather than the 8.5% increase shown in the earlier report. Using the updated information, the Disparity Grant is underfunded by \$53.6 million, as shown in **Exhibit 2**. The full calculation for the Disparity Grant using both versions of tax revenue data can be found in **Appendix 1** and **Appendix 2**. **The Department of Budget and Management should comment on the potential use of a Supplemental Budget to correct the underfunding.**

Exhibit 2
Disparity Grant Underfunding
Fiscal 2024 Allowance

	<u>Allowance</u>	<u>Using Updated Tax Data</u>	<u>Difference</u>
Allegany	\$2,191,823	\$5,504,536	\$3,312,713
Baltimore City	72,447,237	79,051,790	6,604,553
Caroline	3,735,016	4,686,791	951,775
Cecil	306,236	1,080,718	774,482
Dorchester	3,576,617	3,934,595	357,979
Garrett	2,024,790	2,131,271	106,481
Prince George’s	61,178,750	98,482,132	37,303,382
Somerset	6,186,178	7,229,163	1,042,984
Washington	2,652,060	2,990,075	338,014
Wicomico	12,231,747	15,063,448	2,831,701
	\$166,530,455	\$220,154,519	\$53,624,064

Source: Department of Legislative Services

Proposed Budget Change

The entire change in the fiscal 2024 allowance for Payments to Civil Divisions of the State is attributable to disparity grant funding increases, which grow by \$5.3 million, as shown in **Exhibit 3**. The large general fund growth and special fund decline is due to funding provided through the Dedicated Purpose Account (DPA) in the fiscal 2023 legislative appropriation; those funds are appropriated as special funds.

Exhibit 3
Proposed Budget
Payments to Civil Divisions of the State
(\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Total</u>
Fiscal 2022 Actual	\$185,875	\$1,052	\$186,928
Fiscal 2023 Working Appropriation	173,508	16,969	190,476
Fiscal 2024 Allowance	<u>194,189</u>	<u>1,600</u>	<u>195,789</u>
Fiscal 2023-2024 Amount Change	\$20,681	-\$15,369	\$5,313
Fiscal 2023-2024 Percent Change	11.9%	-90.6%	2.8%

Where It Goes:

Disparity Grants	<u>Change</u>
Prince George’s County.....	\$17,475
Wicomico County.....	400
Somerset County.....	-71
Garrett County.....	-106
Dorchester County.....	-253
Caroline County.....	-300
Washington County.....	-1,182
Cecil County.....	-1,295
Baltimore City.....	-3,747
Allegany County.....	-5,107
Total	\$5,314

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

The large change in fund source between the fiscal 2023 working appropriation and the fiscal 2024 allowance is due to \$15,368,715 that was provided in the DPA in Supplemental Budget No. 5 in the 2022 session and therefore considered special funds. The additional funds were provided to jurisdictions in which the disparity grant was lower than the prior year: \$11,316,425 to Baltimore City; \$726,821 to Caroline County; \$1,386,458 to Cecil County; \$819,998 to Somerset County; and \$1,119,013 to Wicomico County.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Appendix 1
Disparity Grant Calculation Used for Fiscal 2024 Allowance

<u>County</u>	<u>Per Capita Tax Yield</u>	<u>Per Capita Grant</u>	<u>Uncapped Grant Fiscal 2024</u>	<u>(Cap) Fiscal 2010</u>	<u>Grant Amount Fiscal 2024</u>	<u>Grant Amount Fiscal 2023</u>	<u>Difference to Fiscal 2023</u>	<u>Piggyback Calendar 2023</u>
Allegany	\$598.79	\$32.36	\$2,191,823	\$7,298,505	\$2,191,823	\$7,298,505	-\$5,106,682	3.03%
Anne Arundel	975.12	0.00	0	0	0	0	0	2.70%/2.81%
Baltimore City	505.49	125.67	72,447,237	79,051,790	72,447,237	76,194,238	-3,747,000	3.20%
Baltimore	787.27	0.00	0	0	0	0	0	3.20%
Calvert	874.60	0.00	0	0	0	0	0	3.00%
Caroline	481.99	149.16	4,980,022	2,131,782	3,735,016	4,035,410	-300,394	3.20%
Carroll	927.26	0.00	0	0	0	0	0	3.03%
Cecil	616.42	4.74	1,531,182	0	306,236	1,601,242	-1,295,005	2.80%
Charles	704.04	0.00	0	0	0	0	0	3.03%
Dorchester	484.37	146.78	4,768,822	2,022,690	3,576,617	3,829,857	-253,240	3.20%
Frederick	906.79	0.00	0	0	0	0	0	2.75%/2.96%
Garrett	560.61	70.55	2,024,790	2,131,271	2,024,790	2,131,271	-106,481	2.65%
Harford	834.75	0.00	0	0	0	0	0	3.06%
Howard	1,259.94	0.00	0	0	0	0	0	3.20%
Kent	707.11	0.00	0	0	0	0	0	3.20%
Montgomery	1,275.05	0.00	0	0	0	0	0	3.20%
Prince George's	545.77	85.39	81,571,667	21,694,767	61,178,750	43,703,912	17,474,838	3.20%
Queen Anne's	986.58	0.00	0	0	0	0	0	3.20%
St. Mary's	791.20	0.00	0	0	0	0	0	3.00%
Somerset	295.64	335.51	8,248,238	4,908,167	6,186,178	6,757,320	-571,142	3.20%
Talbot	1,092.01	0.00	0	0	0	0	0	2.40%
Washington	545.57	85.59	13,260,301	0	2,652,060	3,834,282	-1,182,222	2.95%
Wicomico	474.31	156.85	16,308,995	2,197,041	12,231,747	11,831,757	399,990	3.20%
Worcester	756.89	0.00	0	0	0	0	0	2.25%
Avg/Total	\$841.54	n/a	\$207,333,077	\$121,436,013	\$166,530,455	\$161,217,793	\$5,312,662	
Target 75%	\$631.15							

Note: Totals may not sum due to rounding. Fiscal 2023 grant amount includes funding provided in a supplemental budget beyond the formula amounts.

Source: Department of Legislative Services

Analysis of the FY 2024 Maryland Executive Budget, 2023

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Appendix 2
Disparity Grant Calculation Using Corrected Tax Year 2021 Data
Fiscal 2024

County	Per Capita Tax Yield	Per Capita Grant	Fiscal 2024 Grant	Fiscal 2010 (Cap)	Fiscal 2024 Grant Amount	Fiscal 2023 Grant Amount	Difference Fiscal 2023	Piggyback Calendar 2023
Allegany	\$614.92	\$81.27	\$5,504,536	\$7,298,505	\$5,504,536	\$7,298,505	-\$1,793,969	3.03%
Anne Arundel	1,084.21	0.00	0	0	0	0	0	2.70%/2.81%
Baltimore City	538.18	158.02	91,096,071	79,051,790	79,051,790	76,194,238	2,857,552	3.20%
Baltimore	914.75	0.00	0	0	0	0	0	3.20%
Calvert	934.37	0.00	0	0	0	0	0	3.00%
Caroline	509.02	187.18	6,249,055	2,131,782	4,686,791	4,035,410	651,381	3.20%
Carroll	982.38	0.00	0	0	0	0	0	3.03%
Cecil	644.19	52.01	5,403,591	0	1,080,718	1,601,242	-520,523	2.80%
Charles	730.85	0.00	0	0	0	0	0	3.03%
Dorchester	534.72	161.47	5,246,127	2,022,690	3,934,595	3,829,857	104,738	3.20%
Frederick	958.27	0.00	0	0	0	0	0	2.75%/2.96%
Garrett	595.14	101.05	2,900,437	2,131,271	2,131,271	2,131,271	0	2.65%
Harford	903.60	\$0.00	0	0	0	0	0	3.06%
Howard	1,384.51	0.00	0	0	0	0	0	3.20%
Kent	797.28	0.00	0	0	0	0	0	3.20%
Montgomery	1,453.52	0.00	0	0	0	0	0	3.20%
Prince George's	558.74	137.45	131,309,509	21,694,767	98,482,132	43,703,912	54,778,220	3.20%
Queen Anne's	1,130.44	0.00	0	0	0	0	0	3.20%
St. Mary's	835.33	0.00	0	0	0	0	0	3.00%
Somerset	304.12	392.08	9,638,884	4,908,167	7,229,163	6,757,320	471,843	3.20%
Talbot	1,301.83	\$0.00	0	0	0	0	0	2.40%
Washington	599.70	96.49	14,950,373	0	2,990,075	3,834,282	-844,207	2.95%
Wicomico	503.04	193.16	20,084,597	2,197,041	15,063,448	11,831,757	3,231,691	3.20%
Worcester	898.07	0.00	0	0	0	0	\$0	2.25%
Avg/Total	\$928.26	n/a	\$292,383,180	\$121,436,013	\$220,154,519	\$161,217,793	\$58,936,726	
<i>Target 75%</i>	<i>\$696.19</i>							

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Note: Columns in gray reflect changes from values used to calculate the fiscal 2024 allowance. Totals may not sum due to rounding. Fiscal 2023 grant amount includes funding provided in a supplemental budget beyond the formula amounts.

Source: Department of Legislative Services

Appendix 3
Object/Fund Difference Report
Payments to Civil Divisions of the State

<u>Object/Fund</u>	<u>FY 22</u> <u>Actual</u>	<u>FY 23</u> <u>Working</u> <u>Appropriation</u>	<u>FY 24</u> <u>Allowance</u>	<u>FY 23 - FY 24</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Objects					
12 Grants, Subsidies, and Contributions	\$ 186,927,673	\$ 190,476,457	\$ 195,789,116	\$ 5,312,659	2.8%
Total Objects	\$ 186,927,673	\$ 190,476,457	\$ 195,789,116	\$ 5,312,659	2.8%
Funds					
01 General Fund	\$ 185,875,343	\$ 173,507,742	\$ 194,189,116	\$ 20,681,374	11.9%
03 Special Fund	1,052,330	16,968,715	1,600,000	-15,368,715	-90.6%
Total Funds	\$ 186,927,673	\$ 190,476,457	\$ 195,789,116	\$ 5,312,659	2.8%