

LEGISLATIVE HANDBOOK SERIES

VOLUME VI

MARYLAND LOCAL GOVERNMENT



Maryland Local Government

**Legislative Handbook Series
Volume VI
2018**

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Foreword

Local governments in Maryland have evolved significantly since the colonial era when they primarily functioned as administrative arms of the State. Through the subsequent granting of home rule powers, county and municipal governments have been able to enact laws that address the unique needs and challenges confronting their citizens. Even with this expanded authority, the General Assembly spends a significant amount of time each legislative session considering issues affecting local governments and their finances; therefore, it is important that legislators understand the existing legal and financial structure of local governments.

As the level of government closest to the people, local governments maintain a major role in developing public policy and providing services throughout the State. Public spending at the local level totals \$32.4 billion. As a key provider of public services, local governments are responsible for employing approximately 250,000 individuals, which represents 9% of employment in the State and approximately 50% of public-sector employment. To assist localities in funding public services, the State provided counties and municipalities with \$8.4 billion in fiscal 2019.

This handbook provides a brief introduction on the structure and powers of local governments in Maryland. A demographic and historical profile for each county is also provided. The handbook covers such topics as the varying forms of local government, local revenue sources, local indebtedness, allocation of State funding, and the State assumption of local programs.

This is the sixth in a series of nine volumes of the 2018 Legislative Handbook Series prepared prior to the start of the General Assembly term by the staff of the Office of Policy Analysis, Department of Legislative Services. The material for this volume was researched and written by Arnold Adja, Georgeanne Carter, Michelle Davis, Richard Duncan, Scott Gates, Andrew Gray, Justin Kozinn, Heather Marchione, Jade McDuffie, Trevor Owen, Michael Sanelli, Charity Scott, Stan Ward, and Kenneth Weaver, with Trevor Owen and Gail Renborg contributing to the development of data. Scott Kennedy and Stan Ward coordinated and reviewed the volume. Hiram Burch, Laura Lodge, and David Romans provided additional review. A special thanks is provided to Mary Alice Gehrdes and April Noren, who prepared and finalized the manuscript.

The Department of Legislative Services trusts that this information will be of use to those interested in learning more about the structure, powers, and finances of local governments in Maryland.

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Annapolis, Maryland
November 2018

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Chapter 1. Overview of Local Government in Maryland

When Lord Calvert and his group of English settlers landed on St. Clement's Island in 1634, they brought with them the familiar forms of English government, which included governance on the local level in counties and villages. The settlers immediately set about establishing civil boundaries as they had known them in England with the establishment of St. Mary's City. Just three years later, in 1637, the settlers established St. Mary's County. Since that time, local government has evolved, changing as the times and needs of local communities have changed. Likewise, the law governing local government has developed to address such change. The differences among local governments and the relationship among different levels of government may be best understood in this historical context.

Structure of Local Governments

There is no mention of local government in the U.S. Constitution, and local governments are generally considered creatures of the state. Yet often it is with their local government that citizens most closely identify. Local government units in the United States take on different forms to include counties, municipalities, townships, and special taxing districts. Nationwide there are over 90,000 units of local governments, with 347 being located in Maryland. Local government units in Maryland include 23 counties, Baltimore City, 156 municipalities, and 167 special taxing districts. Based on the types and number of local governments, Maryland's structure is relatively simple. Maryland ranks forty-fifth among the states in terms of the number of local governments, and, unlike many states, Maryland does not have townships or independent school districts. In comparison, nearby Pennsylvania has almost 5,000 local government units, the third highest in the nation. Exhibit 1.1 compares the number of local government units in Maryland with surrounding states. Exhibit 1.2 shows the number and type of local governments in the nation by state.

The small number of local governments in Maryland has resulted in a more consolidated approach to delivering local government services, particularly in relation to northeastern states. In Maryland, most local services are provided by county governments, with one local school system operating in each county. However, in many states, including neighboring Pennsylvania, local services are provided by sub-county units with multiple local school systems operating in each county. Exhibit 1.3 compares the number of local government units in selected counties in both Maryland and Pennsylvania. Exhibit 1.4 shows the multiple units of local government within York County, Pennsylvania, which include 35 townships and 15 independent school districts.

Exhibit 1.1
Number of Local Government Units in Maryland and
Surrounding States

	Delaware	Maryland	Pennsylvania	Virginia	West Virginia
Counties	3	24	66	95	55
Municipalities	57	156	1,015	229	232
Townships	0	0	1,546	0	0
School Districts	19	0	514	0	55
Special Districts	260	167	1,756	194	317
Total	339	347	4,897	518	659
Rank	46th	45th	3rd	44th	39th

Note: School districts in Maryland and Virginia are dependent on another unit of local government for funding and are not classified as a separate unit of local government. Baltimore City is often classified as a county, since the city functions as a county for most purposes of State law.

Source: U.S. Census Bureau, *2012 Census of Government*

Exhibit 1.2
Number of Local Governments in the United States by Type

Rank	State	Total	County	Municipal	Townships	Special	Rank	State	Total	County	Municipal	Townships	Special
1	Illinois	6,963	102	1,298	1,431	4,132	26	Montana	1,265	54	129	-	1,082
2	Texas	5,147	254	1,214	-	3,679	27	Alabama	1,208	67	461	-	680
3	Pennsylvania	4,897	66	1,015	1,546	2,270	28	Idaho	1,168	44	200	-	924
4	California	4,425	57	482	-	3,886	29	Mississippi	983	82	298	-	603
5	Ohio	3,842	88	937	1,308	1,509	30	North Carolina	973	100	553	-	320
6	Kansas	3,826	103	626	1,268	1,829	31	Tennessee	916	92	345	-	479
7	Missouri	3,768	114	954	312	2,388	32	New Mexico	863	33	103	-	727
8	Minnesota	3,672	87	853	1,784	948	33	Massachusetts	857	5	53	298	501
9	New York	3,453	57	614	929	1,853	34	Maine	840	16	22	466	336
10	Wisconsin	3,128	72	596	1,255	1,205	35	Wyoming	805	23	99	-	683
11	Colorado	2,905	62	271	-	2,572	36	Vermont	738	14	43	237	444
12	Michigan	2,875	83	533	1,240	1,019	37	South Carolina	678	46	270	-	362
13	Indiana	2,709	91	569	1,006	1,043	38	Arizona	674	15	91	-	568
14	North Dakota	2,685	53	357	1,313	962	39	West Virginia	659	55	232	-	372
15	Nebraska	2,581	93	530	417	1,541	40	Connecticut	643	-	30	149	464
16	South Dakota	1,983	66	311	907	699	41	Utah	622	29	245	-	348
17	Iowa	1,947	99	947	-	901	42	New Hampshire	541	10	13	221	297
18	Washington	1,900	39	281	-	1,580	43	Louisiana	529	60	304	-	165
19	Oklahoma	1,852	77	590	-	1,185	44	Virginia	518	95	229	-	194
20	Florida	1,650	66	410	-	1,174	45	Maryland	347	24	156	-	167
21	Arkansas	1,556	75	502	-	979	46	Delaware	339	3	57	-	279
22	Oregon	1,542	36	241	-	1,265	47	Nevada	191	16	19	-	156
23	Georgia	1,378	153	535	-	690	48	Alaska	177	14	148	-	15
24	New Jersey	1,344	21	324	242	757	49	Rhode Island	133	-	8	31	94
25	Kentucky	1,338	118	418	-	802	50	Hawaii	21	3	1	-	17
	District of Columbia	2	-	1	-	1		United States	90,056	3,032	19,518	16,360	51,146

Source: U.S. Census Bureau, *2012 Census of Government*

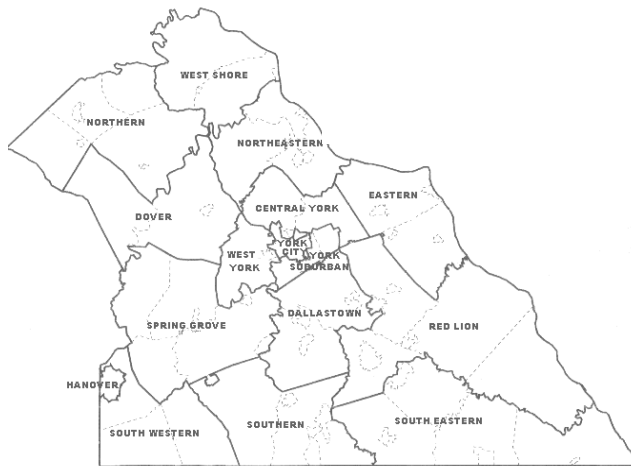
Exhibit 1.3 Comparison of Number of Local Government Units in Selected Jurisdictions in Maryland and Pennsylvania

County	Maryland		Pennsylvania	
	Baltimore	Frederick	York	Adams
Population	832,468	252,022	446,078	102,336
<i>Sub-county Units</i>				
Municipalities	0	12	37	13
Townships	0	0	35	21
School Districts	0	0	15	6
Special Districts	1	3	47	24
Total	2	16	135	65

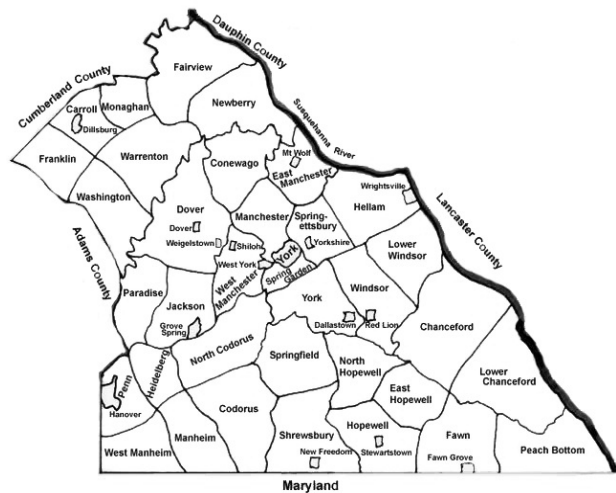
Source: *July 2017 Population Estimates*, Maryland Department of Planning; U.S. Census Bureau, *2012 Census of Government*

Exhibit 1.4 Local Government Units in York County, Pennsylvania

York County School Districts



York County Townships



Source: Department of Legislative Services

County Governments

Counties are the principal unit of local government in Maryland, responsible for most basic services such as police, fire, local corrections, sanitation, highways, health, and parks and recreation. In addition, counties are responsible for funding public schools, libraries, local community colleges, and the circuit courts. This arrangement is similar to other states south of the Mason-Dixon Line. Northern states traditionally rely more on townships to provide local services; counties, where they exist, play a secondary role. In addition, unlike most states, the local school districts in Maryland are fiscally dependent on the county government for funding.

Unlike Maryland’s municipalities, which were established exclusively to meet local needs, counties have traditionally served two roles simultaneously – a provider of local services and an administrative arm of the State. In the first role, the form and extent of county government throughout the State developed based on local needs and on economic, geographic, and population differences. When these differences are considered collectively, they contribute to Maryland’s reputation as “America in Miniature.” In the second role, counties have served as a mechanism to provide services of statewide concern throughout each region of the State.

Baltimore City

Baltimore City is unique among Maryland’s local governments. Although a municipality, Baltimore City is generally treated as a county for purposes of State law. Originally, Baltimore City was established as a municipality within the confines of Baltimore County, and the city government performed exclusively municipal functions. However, in 1851, Baltimore City was separated from Baltimore County and has since functioned as an independent unit. Today, Baltimore City operates under the charter home rule form of government under Article XI-A of the Maryland Constitution.

Municipalities

Maryland has 156 municipalities with home rule powers under Article XI-E of the Maryland Constitution. The dimensions of the municipalities vary widely, as does the number of residents who live in them. Public works and public safety are the two largest functions for most municipalities in Maryland. Common public services performed by municipalities include street lighting, trash/refuse collection, snow removal, and street maintenance. Police protection, planning/zoning, leaf collection, and water services are provided by at least one-half of municipalities.

Municipalities in Maryland are relatively small, with 57 having fewer than 1,000 residents, while only 9 have more than 25,000 residents (Exhibit 1.5). Frederick, with 71,408 residents, is the largest municipality in Maryland followed by Gaithersburg and Rockville. Port Tobacco in Charles County, with 15 residents, is the State's smallest municipality.

Exhibit 1.5
Maryland Municipalities by Size

<u>Population Range</u>	<u>Number</u>	<u>Percent of Total</u>
25,000-75,000	9	5.8%
10,000-24,999	12	7.7%
5,000-9,999	19	12.2%
2,500-4,999	26	16.7%
1,000-2,499	33	21.1%
Less than 1,000	57	36.5%
Total	156	100.0%

Source: *July 2017 Population Estimates*, Maryland Department of Planning; U.S. Census Bureau

The number of municipalities in each county and the percentage of residents in each county who reside within a municipality vary considerably. Prince George's County, with 27 municipalities, has the greatest number among the 23 counties. Although Prince George's County has the highest number of residents who reside within a municipality (247,294), municipal residents account for only 27.1% of the county population. Talbot County has the highest percentage of residents who reside within a municipality (51.9%). In contrast, in St. Mary's County, 3.4% of residents reside within a municipality. Baltimore and Howard counties have no municipalities located entirely within their boundaries, although a small portion of the Town of Hampstead does extend into Baltimore County. The number of residents in each county who reside within a municipality is provided in Exhibit 1.6.

Exhibit 1.6
Residents Residing in Municipalities
July 2017

County	County Population	Municipal Population	Percent of County	Rank
Allegany	71,615	32,161	44.9%	3
Anne Arundel	573,235	39,428	6.9%	20
Baltimore City	611,648	0	0.0%	22
Baltimore	832,468	0	0.0%	22
Calvert	91,502	7,976	8.7%	18
Caroline	33,193	12,075	36.4%	7
Carroll	167,781	48,414	28.9%	11
Cecil	102,746	29,821	29.0%	10
Charles	159,700	13,187	8.3%	19
Dorchester	32,162	15,930	49.5%	2
Frederick	252,022	106,254	42.2%	5
Garrett	29,233	6,784	23.2%	14
Harford	252,160	39,662	15.7%	16
Howard	321,113	0	0.0%	22
Kent	19,384	7,798	40.2%	6
Montgomery	1,058,810	175,735	16.6%	15
Prince George's	912,756	247,294	27.1%	12
Queen Anne's	49,770	7,106	14.3%	17
St. Mary's	112,667	3,781	3.4%	21
Somerset	25,918	6,166	23.8%	13
Talbot	37,103	19,240	51.9%	1
Washington	150,578	53,546	35.6%	8
Wicomico	102,923	45,851	44.5%	4
Worcester	51,690	17,720	34.3%	9
Total	6,052,177	935,929	15.5%	

Source: Maryland Department of Planning; Department of Legislative Services

Special Taxing Districts

While the term local government usually refers to counties and municipalities, other local government entities in Maryland fall under the broad category known as special taxing districts. Special taxing districts include entities that resemble municipalities as well as entities that exist for a limited purpose, such as the financing of public watershed associations for the drainage of the agricultural land of a few landowners or the installation and maintenance of street lighting in a neighborhood. While some of these districts were created by the General Assembly, others were created by county or municipal law. However, all exercise some type of tax-setting or fee-charging authority. Despite often sharing some features similar to counties and municipalities, these entities lack home rule authority and must come to the legislative body that created them in order to change the scope of their powers.

According to the U.S. Census Bureau, 167 special taxing districts are located in Maryland. To date, there are 11 special taxing districts still in existence that were created by the General Assembly. Exhibit 1.7 lists these districts and the county in which they are located. As to locally created special taxing districts, Anne Arundel County, for example, has more than 50, while other counties have created few, if any.

Exhibit 1.7 State-created Special Taxing Districts by County

<u>County</u>	<u>Special Taxing District</u>
Allegany	Bel Air Special Taxing Area
Allegany	Bowling Green & Roberts Place Special Taxing Area
Allegany	Cresaptown Special Taxing District
Allegany	Ellerslie Special Taxing Area
Allegany	LaVale Sanitary District
Allegany	McCoole Special Taxing District
Allegany	Mount Savage Special Tax Area
Allegany	Potomac Park Citizens Taxing District
Montgomery	Village of Drummond Special Taxing Area
Montgomery	Village of Friendship Heights Special Tax District
Montgomery	Oakmont Special Tax District

Source: Department of Legislative Services

Townships and Independent School Districts

Unlike many states, Maryland does not have townships or independent school districts. Townships are geographic and political subdivisions of a county. Townships are located in 20 states, primarily in the Northeast and Midwest. In 11 states, townships may overlap with municipalities. The responsibilities and form of government of townships are specified by the state legislature. The most common responsibilities of townships include highway maintenance, trash collection, and land use planning. In some states, including Pennsylvania, responsibilities include police and fire protection.

Independent school districts are a separate unit of local government that possess taxing authority. Around 90% of public school systems in the United States are classified as independent school districts. Independent school districts exist in Delaware, Pennsylvania, and West Virginia. School districts in Maryland and Virginia are classified as dependent school districts since they rely on another unit of local government for local funding.

Delivery of Public Services

County and municipal governments in Maryland spend approximately \$32.4 billion annually on public services. Counties are the primary unit of local government responsible for most basic services such as police, fire, local corrections, sanitation, local highways, health, and parks and recreation. Counties also are responsible for funding public schools, libraries, local community colleges, and the circuit courts. In fiscal 2017, expenditures at the county government level totaled \$31.0 billion, which accounted for 95.5% of total local government expenditures.

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, comprising 66.5% of municipal expenditures in fiscal 2017. In addition, municipalities do not fund local school systems and community colleges, which account for over 50% of local government expenditures. In fiscal 2017, expenditures at the municipal government level totaled \$1.4 billion, which accounted for only 4.5% of total local government expenditures. However, in six counties, municipal governments account for over 15% of local government expenditures. When expenditures for the local boards of education, local library boards, and local community colleges are excluded, municipal governments account for 9.0% of local government expenditures. In nine counties, however, municipal governments account for over 25% of local government expenditures. Exhibit 1.8 shows local government expenditures in Maryland by category. Exhibit 1.9 shows local government expenditures for each county. Exhibit 1.10 shows county and municipal government expenditures for each county, exclusive of local board expenditures for education, library, and community colleges.

Exhibit 1.8
Local Government Expenditures by Category
Fiscal 2017

Category	Total Local Expenditures	Percent of Total	County Expenditures	Municipal Expenditures	Percent County	Percent Municipal
General Government	\$2,005,401,533	6.2%	\$1,809,686,919	\$195,714,614	90.2%	9.8%
Public Safety						
Police	2,050,176,713	6.3%	1,794,942,414	255,234,299	87.6%	12.4%
Fire	1,174,683,330	3.6%	1,118,620,683	56,062,647	95.2%	4.8%
Corrections	437,665,163	1.3%	437,665,163	-	100.0%	0.0%
Other Public Safety	364,218,373	1.1%	326,931,391	37,286,982	89.8%	10.2%
Public Works						
Transportation	1,678,398,867	5.2%	1,477,436,830	200,962,037	88.0%	12.0%
Water/Sewer Services	2,613,342,353	8.1%	2,276,795,528	336,546,825	87.1%	12.9%
Other Public Works	90,564,610	0.3%	13,697,915	76,866,695	15.1%	84.9%
Education						
Public Schools	14,635,210,297	45.1%	14,635,210,297	-	100.0%	0.0%
Community Colleges	1,374,185,695	4.2%	1,374,185,695	-	100.0%	0.0%
Libraries	331,381,762	1.0%	331,381,762	-	100.0%	0.0%
Health/Social Services	1,168,391,168	3.6%	1,168,391,168	-	100.0%	0.0%
Parks and Recreation	838,989,726	2.6%	722,419,424	116,570,302	86.1%	13.9%
Community/Economic Development	898,143,969	2.8%	845,117,627	53,026,342	94.1%	5.9%
Miscellaneous	1,065,079,807	3.3%	1,018,697,478	46,382,329	95.6%	4.4%
Debt Service	1,713,319,491	5.3%	1,638,985,644	74,333,847	95.7%	4.3%
Total	\$32,439,152,857	100.0%	\$30,990,165,938	\$1,448,986,919	95.5%	4.5%

Source: *Local Government Finances Fiscal 2017*, Department of Legislative Services

Exhibit 1.9
Local Government Expenditures
Fiscal 2017
(\$ in Millions)

County	County	Municipal	Total	Percent County	Percent Municipal
Allegany	\$284.6	\$63.5	\$348.1	81.8%	18.2%
Anne Arundel	2,537.8	106.1	2,643.9	96.0%	4.0%
Baltimore City	3,793.3	0.0	3,793.3	100.0%	0.0%
Baltimore	3,937.3	0.0	3,937.3	100.0%	0.0%
Calvert	435.5	12.7	448.2	97.2%	2.8%
Caroline	133.6	17.2	150.8	88.6%	11.4%
Carroll	668.0	58.3	726.3	92.0%	8.0%
Cecil	392.1	46.2	438.3	89.5%	10.5%
Charles	767.0	16.2	783.2	97.9%	2.1%
Dorchester	131.6	25.5	157.1	83.8%	16.2%
Frederick	1,149.0	161.4	1,310.4	87.7%	12.3%
Garrett	142.2	7.0	149.2	95.3%	4.7%
Harford	1,012.2	68.0	1,080.1	93.7%	6.3%
Howard	2,040.4	0.0	2,040.4	100.0%	0.0%
Kent	82.4	11.4	93.7	87.9%	12.1%
Montgomery	6,793.8	224.7	7,018.5	96.8%	3.2%
Prince George's	4,591.0	196.1	4,787.1	95.9%	4.1%
Queen Anne's	223.5	11.0	234.6	95.3%	4.7%
St. Mary's	433.5	5.0	438.6	98.9%	1.1%
Somerset	98.9	7.7	106.6	92.8%	7.2%
Talbot	132.3	74.3	206.6	64.0%	36.0%
Washington	536.5	116.7	653.2	82.1%	17.9%
Wicomico	397.1	70.7	467.8	84.9%	15.1%
Worcester	276.6	149.3	425.9	64.9%	35.1%
Statewide	\$30,990.2	\$1,449.0	\$32,439.2	95.5%	4.5%

Source: *Local Government Finances Fiscal 2017*, Department of Legislative Services

Exhibit 1.10
County and Municipal Government Expenditures
Exclusive of Local Board Expenditures
Fiscal 2017
(\$ in Millions)

County	County	Municipal	Total	Percent County	Percent Municipal
Allegany	\$98.1	\$63.5	\$161.6	60.7%	39.3%
Anne Arundel	1,099.2	106.1	1,205.3	91.2%	8.8%
Baltimore City	2,319.0	0.0	2,319.0	100.0%	0.0%
Baltimore	1,859.7	0.0	1,859.7	100.0%	0.0%
Calvert	166.0	12.7	178.7	92.9%	7.1%
Caroline	41.1	17.2	58.3	70.6%	29.4%
Carroll	251.3	58.3	309.5	81.2%	18.8%
Cecil	128.1	46.2	174.3	73.5%	26.5%
Charles	311.4	16.2	327.6	95.0%	5.0%
Dorchester	47.4	25.5	72.9	65.1%	34.9%
Frederick	437.9	161.4	599.3	73.1%	26.9%
Garrett	65.4	7.0	72.4	90.3%	9.7%
Harford	395.4	68.0	463.3	85.3%	14.7%
Howard	915.0	0.0	915.0	100.0%	0.0%
Kent	46.6	11.4	57.9	80.4%	19.6%
Montgomery	3,408.5	224.7	3,633.2	93.8%	6.2%
Prince George's	2,241.6	196.1	2,437.7	92.0%	8.0%
Queen Anne's	107.1	11.0	118.1	90.7%	9.3%
St. Mary's	163.8	5.0	168.8	97.0%	3.0%
Somerset	46.8	7.7	54.5	85.8%	14.2%
Talbot	58.0	74.3	132.2	43.8%	56.2%
Washington	176.4	116.7	293.1	60.2%	39.8%
Wicomico	142.1	70.7	212.8	66.8%	33.2%
Worcester	137.6	149.3	286.9	48.0%	52.0%
Statewide	\$14,663.6	\$1,449.0	\$16,112.5	91.0%	9.0%

Source: *Local Government Finances Fiscal 2017*, Department of Legislative Services

In addition to county and municipal governments, it is important to note that privately owned common ownership communities such as condominiums, homeowners associations, and cooperative housing corporations are increasingly providing public services in newly constructed and/or newly converted residential neighborhoods in Maryland. These associations are governed by an elected group of residents after initially being controlled by the developer. These entities typically are responsible for providing certain amenities for their community such as parking lots, street lighting, and pools, and have the power to impose assessments on property owners to pay common expenses of the association such as insurance, maintenance of common areas, and trash and leaf collection services.

Since registration of the various common ownership communities is not required statewide, the exact number of common ownership communities in Maryland is unknown. However, public offering statements for condominium regimes are required by law to be registered with the Secretary of State. Statewide for 2017, the Secretary of State registration records show that there were 2,875 condominium regimes, and the State Department of Assessments and Taxation, which maintains assessment records based on class of property, reported 225,947 condominium units. The Foundation for Community Association Research estimated that there were 6,700 community associations in the State in 2016. Some common ownership communities consist of fewer than 10 residential units, while others are much larger. For example, Columbia Association in Howard County is the largest homeowners association in the State. It provides recreation, cultural, and environmental services and amenities for Columbia, a community with about 14,000 acres of land and a population of more than 100,000.

For a detailed discussion on the types of public services provided by county and municipal governments in Maryland see *Volume II – Government Services in Maryland*.

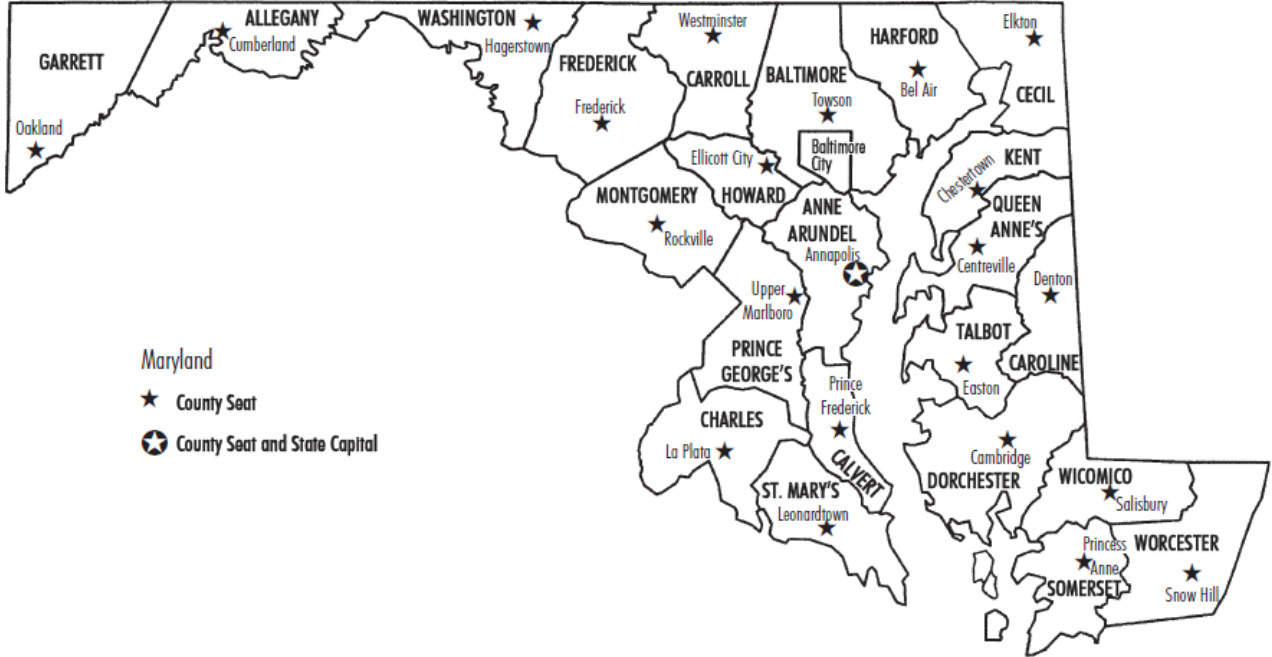
Demographic Indicators

Land Area and Population

Maryland, consisting of 9,707 square miles, ranks as the forty-second largest state in terms of land mass. Maryland's counties range in size from Calvert County with 213 square miles to Frederick County with 660 square miles. Baltimore City comprises 81 square miles. Maryland ranks as the nineteenth largest state in terms of population, with approximately 6.1 million people. Montgomery County has the State's largest population with about 1.1 million residents, and Kent County has the lowest population with less than 20,000 residents. Baltimore City, although fourth in total population, has the highest population density in the State. Montgomery County is second in terms of population density, while Garrett County has the lowest population density. A map of Maryland

showing each county and county seat is depicted in Exhibit 1.11. Exhibit 1.12 shows the population, land area, and population density for all Maryland jurisdictions.

Exhibit 1.11
State Map of Maryland



Source: Department of Legislative Services

**Exhibit 1.12
Maryland Population and Density**

County	Population July 2017	Land Area Sq. Miles	Population Density	Ranking by Population		Ranking by Density			
Allegany	71,615	424.2	168.8	1.	Montgomery	1,058,810	1.	Baltimore City	7,560.5
Anne Arundel	573,235	414.9	1,381.6	2.	Prince George's	912,756	2.	Montgomery	2,155.1
Baltimore City	611,648	80.9	7,560.5	3.	Baltimore	832,468	3.	Prince George's	1,890.9
Baltimore	832,468	598.3	1,391.4	4.	Baltimore City	611,648	4.	Baltimore	1,391.4
Calvert	91,502	213.2	429.2	5.	Anne Arundel	573,235	5.	Anne Arundel	1,381.6
Caroline	33,193	319.4	103.9	6.	Howard	321,113	6.	Howard	1,280.9
Carroll	167,781	447.6	374.8	7.	Harford	252,160	7.	Harford	576.9
Cecil	102,746	346.3	296.7	8.	Frederick	252,022	8.	Calvert	429.2
Charles	159,700	457.8	348.8	9.	Carroll	167,781	9.	Frederick	381.7
Dorchester	32,162	540.8	59.5	10.	Charles	159,700	10.	Carroll	374.8
Frederick	252,022	660.2	381.7	11.	Washington	150,578	11.	Charles	348.8
Garrett	29,233	647.1	45.2	12.	St. Mary's	112,667	12.	Washington	328.9
Harford	252,160	437.1	576.9	13.	Wicomico	102,923	13.	St. Mary's	315.4
Howard	321,113	250.7	1,280.9	14.	Cecil	102,746	14.	Cecil	296.7
Kent	19,384	277.0	70.0	15.	Calvert	91,502	15.	Wicomico	274.9
Montgomery	1,058,810	491.3	2,155.1	16.	Allegany	71,615	16.	Allegany	168.8
Prince George's	912,756	482.7	1,890.9	17.	Worcester	51,690	17.	Talbot	138.2
Queen Anne's	49,770	371.9	133.8	18.	Queen Anne's	49,770	18.	Queen Anne's	133.8
St. Mary's	112,667	357.2	315.4	19.	Talbot	37,103	19.	Worcester	110.4
Somerset	25,918	319.7	81.1	20.	Caroline	33,193	20.	Caroline	103.9
Talbot	37,103	268.5	138.2	21.	Dorchester	32,162	21.	Somerset	81.1
Washington	150,578	457.8	328.9	22.	Garrett	29,233	22.	Kent	70.0
Wicomico	102,923	374.4	274.9	23.	Somerset	25,918	23.	Dorchester	59.5
Worcester	51,690	468.3	110.4	24.	Kent	19,384	24.	Garrett	45.2
Maryland	6,052,177	9,707.3	623.5						

Source: U.S. Census Bureau; Maryland Department of Planning

Racial Composition

Maryland is among the most diverse states in the nation (Exhibit 1.13). Racial minorities comprise 49.1% of the State's population compared to 39.3% nationally as shown in Exhibit 1.14. African Americans are the largest racial minority in Maryland, comprising 29.7% of the State's population; whereas Hispanics account for 10.1%, followed by Asians at 6.6%. Montgomery County is one of the most affluent and diverse jurisdictions in Maryland with Hispanics, African Americans, and Asians each comprising between 15% and 20% of the county's population. Exhibit 1.15 shows the racial composition for each jurisdiction in Maryland.

Exhibit 1.13 Leading States for Minorities Percent of State Population

1. Hawaii	78.1%	6. Maryland	49.1%
2. California	62.8%	7. Georgia	47.2%
3. New Mexico	62.5%	8. Florida	45.9%
4. Texas	58.0%	9. Arizona	45.1%
5. Nevada	50.9%	10. New Jersey	44.9%

Source: U.S. Census Bureau

Exhibit 1.14 Maryland Racial Composition in 2017

	Maryland	United States
White	50.9%	60.7%
African American	29.7%	12.5%
Hispanic/Latino	10.1%	18.1%
Asian	6.6%	5.6%
American Indian	0.2%	0.7%
Native Hawaiian	0.1%	0.2%
Multiracial	2.4%	2.1%

Source: U.S. Census Bureau

Exhibit 1.15
Racial Composition in Maryland Counties
July 2017

County	White	African American	Hispanic/Latino	Asian	American Indian	Native Hawaiian	Multiracial
Allegany	87.0%	8.0%	1.8%	1.1%	0.2%	0.0%	1.9%
Anne Arundel	68.3%	16.8%	7.9%	4.0%	0.3%	0.1%	2.7%
Baltimore City	27.7%	62.1%	5.3%	2.7%	0.3%	0.0%	1.8%
Baltimore	57.2%	28.5%	5.5%	6.3%	0.3%	0.0%	2.2%
Calvert	78.2%	12.8%	4.0%	1.8%	0.3%	0.1%	2.8%
Caroline	75.4%	13.7%	7.5%	0.9%	0.3%	0.0%	2.1%
Carroll	89.1%	3.5%	3.6%	1.9%	0.2%	0.1%	1.7%
Cecil	85.1%	6.6%	4.4%	1.4%	0.3%	0.1%	2.1%
Charles	40.3%	46.4%	5.8%	3.3%	0.6%	0.1%	3.5%
Dorchester	62.8%	28.0%	5.6%	1.2%	0.3%	0.0%	2.0%
Frederick	73.6%	9.3%	9.6%	4.7%	0.2%	0.1%	2.5%
Garrett	96.4%	1.0%	1.2%	0.4%	0.2%	0.0%	0.9%
Harford	76.1%	13.6%	4.6%	3.0%	0.2%	0.1%	2.4%
Howard	52.1%	18.8%	6.8%	18.8%	0.2%	0.1%	3.2%
Kent	78.1%	14.5%	4.3%	1.1%	0.1%	0.0%	1.7%
Montgomery	43.8%	18.3%	19.6%	15.4%	0.2%	0.0%	2.7%
Prince George's	12.7%	62.1%	18.5%	4.4%	0.2%	0.0%	2.0%
Queen Anne's	86.3%	6.4%	4.0%	1.1%	0.3%	0.0%	1.9%
St. Mary's	74.2%	14.2%	5.2%	2.8%	0.3%	0.1%	3.1%
Somerset	51.3%	41.7%	3.6%	0.8%	0.4%	0.0%	2.2%
Talbot	77.6%	12.2%	7.1%	1.3%	0.2%	0.0%	1.5%
Washington	79.0%	11.2%	5.0%	1.9%	0.2%	0.1%	2.6%
Wicomico	62.7%	26.1%	5.4%	3.2%	0.2%	0.0%	2.4%
Worcester	80.0%	13.0%	3.5%	1.5%	0.3%	0.0%	1.6%
Maryland	50.9%	29.7%	10.1%	6.6%	0.2%	0.1%	2.4%
United States	60.7%	12.5%	18.1%	5.6%	0.7%	0.2%	2.1%

Source: U.S. Census Bureau; Maryland Department of Planning

Over the last 17 years of available data (2000-2017), gains in the State's population were comprised entirely from growth in minority groups. During this period, the State's minority population increased by 49.0%, while the White population decreased by 6.7%. The State's Hispanic population increased by 169.5% during this period, with the Asian population increasing by 87.0% and African Americans by 21.8%. Exhibit 1.16 shows population growth by racial composition. Exhibit 1.17 shows the change in minority population by county, and Exhibit 1.18 shows the growth in the minority share of a county's population.

Exhibit 1.16
Population Growth by Racial Composition
April 2000 to July 2017

County	White	African American	Hispanic/Latino	Asian	American Indian	Native Hawaiian	Multiracial
Allegany	-10.2%	44.5%	124.9%	105.2%	7.1%	84.2%	184.0%
Anne Arundel	0.0%	45.2%	249.5%	103.1%	5.7%	57.3%	158.6%
Baltimore City	-16.7%	-9.2%	193.8%	65.6%	-14.8%	-4.7%	80.4%
Baltimore	-14.3%	56.6%	233.2%	114.7%	23.4%	42.4%	159.6%
Calvert	15.4%	20.2%	223.0%	150.1%	47.4%	338.1%	212.5%
Caroline	4.0%	2.8%	215.6%	86.5%	34.1%	1100.0%	192.4%
Carroll	4.0%	72.8%	305.2%	180.7%	-8.3%	206.3%	228.9%
Cecil	9.7%	104.4%	248.9%	141.2%	6.5%	130.4%	197.8%
Charles	-21.0%	136.5%	241.0%	141.5%	13.8%	113.6%	178.3%
Dorchester	-4.4%	3.7%	369.1%	85.6%	44.4%	800.0%	238.8%
Frederick	7.6%	89.8%	418.6%	260.5%	47.4%	164.9%	193.8%
Garrett	-4.2%	125.2%	176.3%	94.7%	100.0%	-85.7%	156.6%
Harford	2.1%	70.6%	176.2%	128.4%	18.6%	53.9%	149.4%
Howard	-7.5%	69.1%	193.4%	213.9%	8.3%	103.5%	164.4%
Kent	0.5%	-15.3%	53.5%	98.1%	12.0%	-25.0%	196.5%
Montgomery	-11.6%	46.3%	106.1%	63.1%	-6.1%	30.7%	110.5%
Prince George's	-40.9%	12.8%	196.3%	27.0%	-4.0%	10.6%	59.4%
Queen Anne's	19.6%	-10.9%	344.4%	140.3%	46.1%	60.0%	216.3%
St. Mary's	20.3%	34.2%	243.7%	102.7%	41.2%	13.8%	199.0%
Somerset	-3.9%	6.6%	176.3%	78.7%	14.3%	60.0%	155.0%
Talbot	4.8%	-12.3%	327.3%	81.4%	20.4%	142.9%	177.7%
Washington	1.1%	65.8%	383.0%	167.0%	25.9%	107.7%	252.0%
Wicomico	6.5%	36.5%	199.8%	116.4%	41.6%	84.6%	219.5%
Worcester	10.4%	-12.9%	202.2%	167.4%	60.4%	87.5%	150.1%
Maryland	-6.7%	21.8%	169.5%	87.0%	7.0%	49.6%	130.5%

Source: U.S. Census Bureau; Maryland Department of Planning

Exhibit 1.17
Growth in Minority Population by County

<u>County</u>	<u>2000</u>	<u>2017</u>	<u>Change</u>	<u>% Change</u>	<u>Population Change</u>		<u>Percent Change</u>	
Allegany	5,528	9,299	3,771	68.2%	1. Montgomery	246,289	1. Frederick	190.6%
Anne Arundel	98,113	181,809	83,696	85.3%	2. Prince George's	191,632	2. Carroll	152.9%
Baltimore City	447,821	442,224	-5,597	-1.2%	3. Baltimore	157,640	3. Cecil	145.1%
Baltimore	198,666	356,306	157,640	79.3%	4. Howard	86,920	4. Charles	143.5%
Calvert	12,587	19,974	7,387	58.7%	5. Anne Arundel	83,696	5. Garrett	138.7%
Caroline	5,693	8,154	2,461	43.2%	6. Charles	56,222	6. Howard	129.7%
Carroll	7,243	18,316	11,073	152.9%	7. Frederick	43,720	7. Washington	122.3%
Cecil	6,265	15,354	9,089	145.1%	8. Harford	29,648	8. Harford	96.7%
Charles	39,192	95,414	56,222	143.5%	9. Washington	17,404	9. Anne Arundel	85.3%
Dorchester	9,545	11,953	2,408	25.2%	10. Wicomico	14,366	10. Baltimore	79.3%
Frederick	22,935	66,655	43,720	190.6%	11. St. Mary's	12,351	11. St. Mary's	73.8%
Garrett	444	1,060	616	138.7%	12. Carroll	11,073	12. Montgomery	70.6%
Harford	30,663	60,311	29,648	96.7%	13. Cecil	9,089	13. Allegany	68.2%
Howard	67,042	153,962	86,920	129.7%	14. Calvert	7,387	14. Wicomico	59.9%
Kent	4,127	4,240	113	2.7%	15. Allegany	3,771	15. Calvert	58.7%
Montgomery	349,090	595,379	246,289	70.6%	16. Caroline	2,461	16. Queen Anne's	47.0%
Prince George's	605,102	796,734	191,632	31.7%	17. Dorchester	2,408	17. Caroline	43.2%
Queen Anne's	4,637	6,818	2,181	47.0%	18. Queen Anne's	2,181	18. Prince George's	31.7%
St. Mary's	16,739	29,090	12,351	73.8%	19. Talbot	1,981	19. Talbot	31.3%
Somerset	10,906	12,621	1,715	15.7%	20. Somerset	1,715	20. Dorchester	25.2%
Talbot	6,323	8,304	1,981	31.3%	21. Worcester	1,259	21. Somerset	15.7%
Washington	14,227	31,631	17,404	122.3%	22. Garrett	616	22. Worcester	13.9%
Wicomico	23,981	38,347	14,366	59.9%	23. Kent	113	23. Kent	2.7%
Worcester	9,056	10,315	1,259	13.9%	24. Baltimore City	-5,597	24. Baltimore City	-1.2%
Maryland	1,995,925	2,974,270	978,345	49.0%				

Source: U.S. Census Bureau

Exhibit 1.18
Growth in Minority Share of Population by County

<u>County</u>	<u>2000</u>	<u>2017</u>	<u>Percentage</u>	<u>Highest to Lowest</u>		<u>Highest to Lowest</u>	
			<u>Point</u>	<u>Minority Share of Population</u>		<u>Percentage Point Change</u>	
			<u>Change</u>				
Allegany	7.4%	13.0%	5.6%	1. Prince George's	87.3%	1. Charles	27.2%
Anne Arundel	20.0%	31.7%	11.7%	2. Baltimore City	72.3%	2. Howard	20.9%
Baltimore City	68.8%	72.3%	3.5%	3. Charles	59.7%	3. Baltimore	16.5%
Baltimore	26.3%	42.8%	16.5%	4. Montgomery	56.2%	4. Montgomery	16.3%
Calvert	16.9%	21.8%	4.9%	5. Somerset	48.7%	5. Frederick	14.7%
Caroline	19.1%	24.6%	5.4%	6. Howard	47.9%	6. Prince George's	11.8%
Carroll	4.8%	10.9%	6.1%	7. Baltimore	42.8%	7. Anne Arundel	11.7%
Cecil	7.3%	14.9%	7.7%	8. Wicomico	37.3%	8. Washington	10.2%
Charles	32.5%	59.7%	27.2%	9. Dorchester	37.2%	9. Harford	9.9%
Dorchester	31.1%	37.2%	6.0%	10. Anne Arundel	31.7%	10. Wicomico	8.9%
Frederick	11.7%	26.4%	14.7%	11. Frederick	26.4%	11. Cecil	7.7%
Garrett	1.5%	3.6%	2.1%	12. St. Mary's	25.8%	12. St. Mary's	6.4%
Harford	14.0%	23.9%	9.9%	13. Caroline	24.6%	13. Carroll	6.1%
Howard	27.1%	47.9%	20.9%	14. Harford	23.9%	14. Dorchester	6.0%
Kent	21.5%	21.9%	0.4%	15. Talbot	22.4%	15. Allegany	5.6%
Montgomery	40.0%	56.2%	16.3%	16. Kent	21.9%	16. Caroline	5.4%
Prince George's	75.5%	87.3%	11.8%	17. Calvert	21.8%	17. Calvert	4.9%
Queen Anne's	11.4%	13.7%	2.3%	18. Washington	21.0%	18. Somerset	4.6%
St. Mary's	19.4%	25.8%	6.4%	19. Worcester	20.0%	19. Talbot	3.7%
Somerset	44.1%	48.7%	4.6%	20. Cecil	14.9%	20. Baltimore City	3.5%
Talbot	18.7%	22.4%	3.7%	21. Queen Anne's	13.7%	21. Queen Anne's	2.3%
Washington	10.8%	21.0%	10.2%	22. Allegany	13.0%	22. Garrett	2.1%
Wicomico	28.3%	37.3%	8.9%	23. Carroll	10.9%	23. Worcester	0.5%
Worcester	19.5%	20.0%	0.5%	24. Garrett	3.6%	24. Kent	0.4%
Maryland	37.7%	49.1%	11.5%				

Source: U.S. Census Bureau

Population Growth

Managing growth remains a key issue as Maryland's population continues to expand. From 2000 to 2017, the State's population increased by more than 755,000 people. This represents a 14.3% increase over the 17-year period, giving Maryland the twenty-fourth highest growth rate in the nation (including the District of Columbia). For comparison purposes, the U.S. population increased by 13.6% during this same period. Maryland's population growth is attributable to natural increases and international immigration. Maryland continues to experience population losses from movement among the states, with net losses in the past 7 years. However, this decline was offset by a high level of international immigration.

Foreign-born individuals continue to settle primarily in Montgomery and Prince George's counties. International immigration has helped to offset the sizable population decreases from internal migration within both jurisdictions. From April 2010 to July 2017, Montgomery County realized a net loss of 38,800 residents due to internal migration, and Prince George's County realized a net loss of 40,900 residents. Exhibit 1.19 shows the growth in population for each jurisdiction since 2000, and Exhibit 1.20 shows components of population change since 2010.

Population growth throughout Maryland has not been uniform during this century. The largest growth rates have occurred primarily in Southern Maryland, as well as parts of the Eastern Shore (Cecil, Queen Anne's, and Wicomico), and the north-central region of the State (Frederick and Howard counties). Baltimore City and many economically distressed rural counties realized either marginal growth or continued reductions in population. Charles County led the State in population growth between 2000 and 2017 with a growth rate of 32.5%. Seven other counties, Calvert, Frederick, Howard, Montgomery, Queen Anne's, St. Mary's, and Wicomico had growth rates above 20%. Baltimore City, Allegany County, and Garrett County were the only jurisdictions that lost population since 2000. Exhibit 1.21 depicts the change in Maryland population by region since 1970. The change in population for each county and region since 1970 is shown in Exhibit 1.22.

Exhibit 1.19
Population Growth in Maryland by County

County	2000	2017	Change	% Change	Highest to Lowest Change		Highest to Lowest Percent Change	
					2000 to 2017		2000 to 2017	
Allegany	74,930	71,615	-3,315	-4.4%	1. Montgomery	185,469	1. Charles	32.5%
Anne Arundel	489,664	573,235	83,571	17.1%	2. Prince George's	111,241	2. St. Mary's	30.7%
Baltimore City	651,154	611,648	-39,506	-6.1%	3. Anne Arundel	83,571	3. Howard	29.6%
Baltimore	754,292	832,468	78,176	10.4%	4. Baltimore	78,176	4. Frederick	29.1%
Calvert	74,563	91,502	16,939	22.7%	5. Howard	73,270	5. Calvert	22.7%
Caroline	29,772	33,193	3,421	11.5%	6. Frederick	56,746	6. Queen Anne's	22.7%
Carroll	150,897	167,781	16,884	11.2%	7. Charles	39,154	7. Wicomico	21.6%
Cecil	85,951	102,746	16,795	19.5%	8. Harford	33,570	8. Montgomery	21.2%
Charles	120,546	159,700	39,154	32.5%	9. St. Mary's	26,435	9. Cecil	19.5%
Dorchester	30,675	32,162	1,487	4.8%	10. Washington	18,655	10. Anne Arundel	17.1%
Frederick	195,276	252,022	56,746	29.1%	11. Wicomico	18,279	11. Harford	15.4%
Garrett	29,846	29,233	-613	-2.1%	12. Calvert	16,939	12. Washington	14.1%
Harford	218,590	252,160	33,570	15.4%	13. Carroll	16,884	13. Prince George's	13.9%
Howard	247,843	321,113	73,270	29.6%	14. Cecil	16,795	14. Caroline	11.5%
Kent	19,200	19,384	184	1.0%	15. Queen Anne's	9,210	15. Carroll	11.2%
Montgomery	873,341	1,058,810	185,469	21.2%	16. Worcester	5,147	16. Worcester	11.1%
Prince George's	801,515	912,756	111,241	13.9%	17. Caroline	3,421	17. Baltimore	10.4%
Queen Anne's	40,560	49,770	9,210	22.7%	18. Talbot	3,291	18. Talbot	9.7%
St. Mary's	86,232	112,667	26,435	30.7%	19. Dorchester	1,487	19. Dorchester	4.8%
Somerset	24,747	25,918	1,171	4.7%	20. Somerset	1,171	20. Somerset	4.7%
Talbot	33,812	37,103	3,291	9.7%	21. Kent	184	21. Kent	1.0%
Washington	131,923	150,578	18,655	14.1%	22. Garrett	-613	22. Garrett	-2.1%
Wicomico	84,644	102,923	18,279	21.6%	23. Allegany	-3,315	23. Allegany	-4.4%
Worcester	46,543	51,690	5,147	11.1%	24. Baltimore City	-39,506	24. Baltimore City	-6.1%
Maryland	5,296,516	6,052,177	755,661	14.3%				

Source: U.S. Census Bureau

Exhibit 1.20
Components of Maryland Population Change
2010-2017

County	Net Natural Increase¹	International Migration	Internal Migration²	Residual	Total
Allegany	-1,554	538	-2,410	-17	-3,443
Anne Arundel	20,804	8,956	6,152	-307	35,605
Baltimore City	17,569	15,568	-42,127	-313	-9,303
Baltimore	13,712	24,777	-10,506	-665	27,318
Calvert	2,015	543	226	-18	2,766
Caroline	455	443	-789	3	112
Carroll	1,115	427	-835	-59	648
Cecil	1,687	634	-604	-79	1,638
Charles	6,316	1,494	5,396	-66	13,140
Dorchester	48	235	-721	-18	-456
Frederick	8,286	5,511	4,992	-146	18,643
Garrett	-144	48	-792	-7	-895
Harford	5,267	2,136	84	-149	7,338
Howard	13,788	11,886	8,437	-127	33,984
Kent	-618	6	-186	-9	-807
Montgomery	52,473	73,441	-38,834	-222	86,858
Prince George's	46,949	43,764	-40,895	-441	49,377
Queen Anne's	445	387	1,185	-35	1,982
St. Mary's	4,865	1,385	1,281	-12	7,519
Somerset	-60	279	-789	18	-552
Talbot	-810	291	-128	-32	-679
Washington	1,764	1,756	-320	-52	3,148
Wicomico	2,202	3,186	-1,143	-55	4,190
Worcester	-1,264	310	1,234	-41	239
Total	195,310	198,001	-112,092	-2,849	278,370

¹Net Natural Increase is the difference between the number of live births and the number of deaths.

²Internal Migration is the movement of people between states and among Maryland counties.

Source: U.S. Census Bureau

Exhibit 1.21
Share of State Population by Region

<u>Region</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2017</u>
Baltimore	52.7%	51.5%	49.1%	47.4%	46.1%	45.6%
National Capital	32.4%	32.3%	34.2%	35.3%	35.9%	36.7%
Southern Maryland	3.0%	4.0%	4.8%	5.3%	5.9%	6.0%
Western Maryland	5.3%	5.2%	4.7%	4.5%	4.4%	4.2%
Eastern Shore	6.6%	7.0%	7.2%	7.5%	7.8%	7.5%

Source: U.S. Census Bureau

**Exhibit 1.22
County Population by Region**

	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2017</u>	<u>Average Annual Increase</u>
United States	203,798,722	227,224,719	249,622,814	282,171,957	309,338,421	325,719,178	1.0%
Maryland	3,938,051	4,227,643	4,799,770	5,310,579	5,788,099	6,052,177	0.9%
Baltimore Region	2,076,332	2,177,703	2,356,461	2,516,736	2,667,694	2,758,405	0.6%
Anne Arundel County	299,825	372,415	428,877	491,394	539,234	573,235	1.4%
Baltimore County	622,418	655,878	694,782	756,037	806,405	832,468	0.6%
Carroll County	69,441	96,853	124,086	151,580	167,200	167,781	1.9%
Harford County	116,349	146,394	183,717	219,472	245,224	252,160	1.7%
Howard County	63,714	119,855	189,367	249,599	288,605	321,113	3.5%
Baltimore City	904,585	786,308	735,632	648,654	621,026	611,648	-0.8%
National Capital Region	1,275,845	1,364,128	1,642,717	1,877,074	2,075,963	2,223,588	1.2%
Frederick County	85,309	115,706	151,345	196,522	234,170	252,022	2.3%
Montgomery County	524,400	582,053	760,296	877,363	976,140	1,058,810	1.5%
Prince George’s County	666,136	666,369	731,076	803,189	865,653	912,756	0.7%
Southern Maryland Region	117,004	168,526	230,066	282,887	341,892	363,869	2.4%
Calvert County	20,932	34,884	51,954	75,163	88,983	91,502	3.2%
Charles County	48,232	73,466	101,751	121,203	147,145	159,700	2.6%
St. Mary’s County	47,840	60,176	76,361	86,521	105,764	112,667	1.8%
Western Maryland Region	209,509	220,143	225,141	236,729	252,831	251,426	0.4%
Allegany County	83,983	80,584	74,954	74,804	74,977	71,615	-0.3%
Garrett County	21,607	26,555	28,236	29,824	30,130	29,233	0.6%
Washington County	103,919	113,004	121,951	132,101	147,724	150,578	0.8%
Eastern Shore Region	259,361	297,143	345,385	397,153	449,719	454,889	1.2%
Caroline County	19,893	23,205	27,125	29,828	33,056	33,193	1.1%
Cecil County	53,519	60,590	71,866	86,464	101,172	102,746	1.4%
Dorchester County	29,506	30,558	30,282	30,586	32,682	32,162	0.2%
Kent County	16,247	16,707	17,869	19,266	20,206	19,384	0.4%
Queen Anne’s County	18,506	25,682	34,082	40,765	47,809	49,770	2.1%
Somerset County	18,928	19,131	23,469	24,718	26,463	25,918	0.7%
Talbot County	23,710	25,732	30,661	33,890	37,879	37,103	1.0%
Wicomico County	54,534	64,646	74,743	84,864	98,959	102,923	1.4%
Worcester County	24,518	30,892	35,288	46,772	51,493	51,690	1.6%

Source: U.S. Census Bureau

Income and Poverty Rates

Maryland continues to be one of the most affluent states in the nation with high income levels and low poverty rates. Maryland had the highest median household income in the nation based on a five-year average for 2012 through 2016. Like Maryland, a majority of the high income states are located in the Northeast and Mid-Atlantic regions. In contrast, states with the lowest income levels continue to be concentrated in the Southeast region of the country. Exhibit 1.23 lists the 10 states with the highest and lowest median household income.

Based on a five-year average for 2012 through 2016, the median household income for Maryland jurisdictions ranged from \$35,886 in Somerset County to \$113,800 in Howard County. Montgomery County had the second highest median income at \$100,352, and Calvert County had the third highest at \$96,808. Five counties (Allegany, Caroline, Dorchester, Garrett, and Somerset) and Baltimore City had income levels below 70% of the statewide average. Exhibit 1.24 ranks Maryland counties by median household income and Exhibit 1.25 shows the growth in median household income since 1999.

Exhibit 1.23
Median Household Income in the United States
(Five-year Average Median for 2012-2016)

<u>Top 10 States</u>		<u>Bottom 10 States</u>	
1. Maryland	\$76,067	41. Oklahoma	\$48,038
2. Alaska	74,444	42. South Carolina	46,898
3. New Jersey	73,702	43. Tennessee	46,574
4. Hawaii	71,977	44. New Mexico	45,674
5. Connecticut	71,755	45. Louisiana	45,652
6. Massachusetts	70,954	46. Kentucky	44,811
7. New Hampshire	68,485	47. Alabama	44,758
8. Virginia	66,149	48. West Virginia	42,644
9. California	63,783	49. Arkansas	42,336
10. Minnesota	63,217	50. Mississippi	40,528
National Average	\$55,322	District of Columbia	72,935

Source: U.S. Census Bureau; American Community Survey

Exhibit 1.24
Median Household Income for Maryland Counties

County	CY 1989	Rank	CY 1999	Rank	CY 2012-2016	Rank
Allegany	\$21,546	24	\$30,800	22	\$41,559	23
Anne Arundel	45,147	5	61,750	5	91,918	4
Baltimore City	24,045	21	30,100	23	44,262	22
Baltimore	38,837	11	50,650	12	68,989	12
Calvert	47,608	3	65,950	3	96,808	3
Caroline	27,758	18	38,850	19	50,830	19
Carroll	42,378	7	60,000	7	87,060	6
Cecil	36,019	13	50,500	13	67,938	13
Charles	46,415	4	62,200	4	91,373	5
Dorchester	24,922	20	34,100	20	47,907	20
Frederick	41,382	9	60,300	6	85,715	9
Garrett	22,733	23	32,250	21	46,277	21
Harford	41,680	8	57,250	8	81,052	10
Howard	54,348	1	74,150	1	113,800	1
Kent	30,104	15	39,850	17	55,028	17
Montgomery	54,089	2	71,550	2	100,352	2
Prince George's	43,127	6	55,250	10	75,925	11
Queen Anne's	39,190	10	57,050	9	85,891	8
St. Mary's	37,158	12	54,700	11	86,810	7
Somerset	23,379	22	29,900	24	35,886	24
Talbot	31,885	14	43,550	14	61,395	14
Washington	29,632	16	40,600	16	56,316	16
Wicomico	28,512	17	39,050	18	53,508	18
Worcester	27,586	19	40,650	15	57,227	15
Maryland	\$39,386		\$52,850		\$76,067	

Source: U.S. Census Bureau

Exhibit 1.25
Income Growth – Median Household Income

County	CY 1999	CY 2012-2016	Percent Change	Rank
Allegany	\$30,800	\$41,559	34.9%	21
Anne Arundel	61,750	91,918	48.9%	4
Baltimore City	30,100	44,262	47.0%	5
Baltimore	50,650	68,989	36.2%	20
Calvert	65,950	96,808	46.8%	7
Caroline	38,850	50,830	30.8%	23
Carroll	60,000	87,060	45.1%	8
Cecil	50,500	67,938	34.5%	22
Charles	62,200	91,373	46.9%	6
Dorchester	34,100	47,907	40.5%	14
Frederick	60,300	85,715	42.1%	10
Garrett	32,250	46,277	43.5%	9
Harford	57,250	81,052	41.6%	11
Howard	74,150	113,800	53.5%	2
Kent	39,850	55,028	38.1%	17
Montgomery	71,550	100,352	40.3%	15
Prince George's	55,250	75,925	37.4%	18
Queen Anne's	57,050	85,891	50.6%	3
St. Mary's	54,700	86,810	58.7%	1
Somerset	29,900	35,886	20.0%	24
Talbot	43,550	61,395	41.0%	12
Washington	40,600	56,316	38.7%	16
Wicomico	39,050	53,508	37.0%	19
Worcester	40,650	57,227	40.8%	13
Maryland	\$52,850	\$76,067	43.9%	

Source: U.S. Census Bureau

Maryland has one of the lowest poverty rates in the nation, with 9.9% of people living in poverty in the State compared to 15.1% nationally. As shown in Exhibit 1.26, only one state had a lower percentage of people in poverty based on a five-year average for 2012 through 2016. However, due to income disparities across the State, many areas continue to be impacted by higher poverty levels. Exhibit 1.27 shows the range in poverty rates for Maryland jurisdictions, based on a five-year average for 2012 through 2016, from 4.9% in Howard County to 25.1% in Somerset County.

Exhibit 1.26
Percentage of People in Poverty in the United States
(Five-year Average for 2012-2016)

<u>States with Lowest Poverty Rates</u>		<u>States with Highest Poverty Rates</u>	
1. New Hampshire	8.5%	41. Tennessee	17.2%
2. Maryland	9.9%	42. Arizona	17.7%
3. Alaska	10.1%	43. West Virginia	17.7%
4. Connecticut	10.4%	44. Georgia	17.8%
5. Hawaii	10.8%	45. Alabama	18.4%
6. Minnesota	10.8%	46. Kentucky	18.8%
7. New Jersey	10.9%	47. Arkansas	18.8%
8. North Dakota	11.2%	48. Louisiana	19.7%
9. Massachusetts	11.4%	49. New Mexico	20.9%
10. Virginia	11.4%	50. Mississippi	22.3%
National Average	15.1%	District of Columbia	17.9%

Source: U.S. Census Bureau; American Community Survey

Exhibit 1.27
Poverty Rates for Maryland Counties

County	CY 2012-2016	Rank
Allegany	17.4%	22
Anne Arundel	6.1%	4
Baltimore City	23.1%	23
Baltimore	9.3%	11
Calvert	6.0%	3
Caroline	17.1%	21
Carroll	5.7%	2
Cecil	10.6%	14
Charles	7.7%	8
Dorchester	17.0%	20
Frederick	7.1%	7
Garrett	12.7%	17
Harford	7.7%	8
Howard	4.9%	1
Kent	12.0%	16
Montgomery	6.9%	6
Prince George's	9.7%	12
Queen Anne's	6.5%	5
St. Mary's	7.8%	10
Somerset	25.1%	24
Talbot	10.9%	15
Washington	12.9%	18
Wicomico	16.3%	19
Worcester	10.2%	13
Maryland	9.9%	

Source: U.S. Census Bureau

Employment

The private sector accounts for over 80% of employment in Maryland with the government sector accounting for 18.4%. The reliance on government employment ranges from 9.4% in Talbot County to 42.0% in Somerset County. The high reliance on government employment in Somerset County is due primarily to the location of correctional facilities in the county as well as a major State institution of higher education. The State government accounts for 3.7% of total employment in Maryland while local governments account for 9.1%. Due to the State's proximity to the nation's capital, Maryland has a high concentration of federal employment, which accounts for 5.5% of total employment in the State. One-third of federal positions are located in Montgomery County with an additional 18.5% located in Prince George's County. St. Mary's and Harford counties have the highest reliance on federal employment, due to the location of federal military installations. Exhibit 1.28 shows employment in Maryland counties by sector, and Exhibit 1.29 shows the county share of total employment by sector.

Exhibit 1.28
Employment in Maryland Counties by Sector
Calendar Year 2017

County	Private Sector	Government Sector	<i>Government Sector</i>		
			Federal	State	Local
Allegany	79.3%	20.7%	1.7%	9.2%	9.7%
Anne Arundel	82.7%	17.3%	4.9%	4.5%	8.0%
Baltimore City	79.9%	20.1%	3.2%	10.0%	6.9%
Baltimore	85.2%	14.8%	3.9%	2.9%	7.9%
Calvert	82.3%	17.7%	0.6%	1.1%	16.0%
Caroline	81.3%	18.7%	0.8%	2.0%	16.0%
Carroll	86.2%	13.8%	0.5%	2.1%	11.2%
Cecil	80.2%	19.8%	5.9%	1.7%	12.3%
Charles	76.7%	23.3%	5.5%	1.3%	16.5%
Dorchester	79.2%	20.8%	1.6%	7.3%	12.0%
Frederick	84.6%	15.4%	3.6%	1.2%	10.6%
Garrett	85.5%	14.5%	0.6%	2.1%	11.8%
Harford	78.2%	21.8%	11.7%	0.6%	9.5%
Howard	90.1%	9.9%	0.4%	1.0%	8.5%
Kent	86.8%	13.2%	0.8%	3.1%	9.4%
Montgomery	80.6%	19.4%	10.4%	0.3%	8.8%
Prince George's	72.0%	28.0%	8.5%	6.6%	12.9%
Queen Anne's	82.2%	17.8%	0.7%	1.5%	15.6%
St. Mary's	67.4%	32.6%	21.9%	2.1%	8.6%
Somerset	58.0%	42.0%	0.7%	27.3%	14.0%
Talbot	90.6%	9.4%	1.0%	1.1%	7.3%
Washington	87.1%	12.9%	0.9%	3.0%	9.0%
Wicomico	82.5%	17.5%	0.6%	6.1%	10.8%
Worcester	86.1%	13.9%	0.7%	0.6%	12.6%
Unallocated	99.1%	0.9%	0.7%	0.0%	0.2%
Maryland	81.6%	18.4%	5.5%	3.7%	9.1%

Source: Bureau of Labor Statistics, U.S. Department of Labor

Exhibit 1.29
County Share of Total Employment by Sector
Calendar Year 2017

County	State Population	Private Sector	Government Sector	Government Sector		
				Federal	State	Local
Allegany	1.2%	1.1%	1.2%	0.3%	2.7%	1.2%
Anne Arundel	9.5%	10.3%	9.6%	9.0%	12.4%	8.9%
Baltimore City	10.1%	12.5%	14.0%	7.3%	34.7%	9.7%
Baltimore	13.8%	14.7%	11.4%	10.0%	11.2%	12.3%
Calvert	1.5%	0.9%	0.9%	0.1%	0.3%	1.6%
Caroline	0.5%	0.4%	0.4%	0.0%	0.2%	0.6%
Carroll	2.8%	2.3%	1.7%	0.2%	1.3%	2.7%
Cecil	1.7%	1.2%	1.3%	1.3%	0.5%	1.6%
Charles	2.6%	1.5%	2.0%	1.6%	0.6%	2.8%
Dorchester	0.5%	0.4%	0.5%	0.1%	0.8%	0.5%
Frederick	4.2%	3.9%	3.2%	2.5%	1.2%	4.4%
Garrett	0.5%	0.5%	0.3%	0.0%	0.3%	0.6%
Harford	4.2%	3.4%	4.2%	7.4%	0.6%	3.7%
Howard	5.3%	7.1%	3.4%	0.4%	1.7%	6.0%
Kent	0.3%	0.3%	0.2%	0.0%	0.2%	0.3%
Montgomery	17.5%	17.5%	18.7%	33.2%	1.2%	17.0%
Prince George's	15.1%	10.6%	18.4%	18.5%	21.6%	16.9%
Queen Anne's	0.8%	0.6%	0.5%	0.1%	0.2%	0.9%
St. Mary's	1.9%	1.4%	2.9%	6.5%	0.9%	1.6%
Somerset	0.4%	0.2%	0.6%	0.0%	1.9%	0.4%
Talbot	0.6%	0.8%	0.4%	0.1%	0.2%	0.6%
Washington	2.5%	2.7%	1.8%	0.4%	2.1%	2.5%
Wicomico	1.7%	1.7%	1.6%	0.2%	2.8%	2.0%
Worcester	0.9%	1.0%	0.7%	0.1%	0.2%	1.3%
Maryland	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Bureau of Labor Statistics, U.S. Department of Labor; Maryland Department of Planning

Chapter 2. County and Municipal Profiles

Maryland is a diverse State encompassing the mountainous regions of Western Maryland; waterfront communities along the Chesapeake Bay; historic towns, rolling hills, and horse farms in the north-central region of the State; and the urban center along the Baltimore/Washington corridor. This diversity is also reflected in the State's people and families. Maryland is today a dynamic and culturally enriched State with a population from approximately 160 different countries speaking over 100 languages. The following section provides a brief history and profile of each county, and includes a link to the county's official website.

Allegany County

Allegany County, located in Western Maryland, was created out of Washington County in 1789. The name "Allegany" comes from "oolikhanna," a Native American term meaning "beautiful stream." The county represents one aspect of Maryland's varying landscapes, billing itself as the "Mountain Side of Maryland."

Allegany County has seven municipalities, including the industrial city of Cumberland, the county's largest municipality and county seat. Cumberland was incorporated in 1815 and was named to honor King George II's son, William Augustus, Duke of Cumberland. Cumberland is home to Fort Cumberland, where George Washington assumed his first military command during the French and Indian War. The city's role as a transportation hub spurred its development. The Chesapeake and Ohio Canal ran more than 180 miles from Washington, DC to Cumberland. The National Road, the first road built with federal funds, began in Cumberland and ran west more than 600 miles to Vandalia, Illinois. The Queen City Transportation Museum relates the history of the canal and the road and displays historic automobiles, carriages, and wagons.

The City of Frostburg grew up around an inn on the National Road. Today, it is home to Frostburg State University, part of the University System of Maryland. The university plays a central role in the cultural and economic life of Western Maryland. The Appalachian Laboratory of the University of Maryland's Center for Environmental Science is also in Frostburg. The laboratory conducts ecological research and strives to protect the natural resources of the region, including the Chesapeake Bay watershed.

Visitors come to Allegany County to enjoy the excellent outdoor recreation opportunities, including fishing, boating, hiking, biking, and golf, and to take in the breathtaking mountain views. There are several State parks and forests in Allegany County, including Dan's Mountain State Park, Green Ridge State Forest, and Rocky Gap State Park.

The Rocky Gap Casino Resort, which opened in 2013, features a hotel with over 200 rooms, a casino with over 600 slot machines and table games, and the State's only Jack Nicklaus Signature Golf Course. Other popular attractions include the Chesapeake and Ohio Canal National Historical Park and Canal Place. In addition, the Western Maryland Scenic Railroad offers rides between historic Cumberland and Frostburg, and the Great Allegheny Passage hiking and biking trail provides a continuous off-road route from Cumberland to Pittsburgh.

Historically, Allegany County's economy was based on manufacturing, and this sector remains important today. Other important industries include information technology, biotechnology, and tourism. The Allegany Business Center is a technology business park in Frostburg resulting from a partnership between Frostburg State University, State and local government, and the private sector.

Since 1974, Allegany County has operated as a code home rule county, governed by three county commissioners. Allegany County's official website is found at <http://www.gov.allconet.org>.

Anne Arundel County

Anne Arundel County, created by the General Assembly in 1650, is named for Lady Anne Arundell, the wife of Cecilius Calvert, Second Lord Baltimore and founder of the Maryland colony. The county has two municipalities, Annapolis and Highland Beach.

Annapolis, which serves as the county seat as well as the State capital, is one of the oldest and most historic cities in the country. Chartered in 1708, Annapolis is known for its rich architectural heritage. The city has the highest concentration of eighteenth century Georgian-style buildings in the nation. Annapolis was briefly the capital of the United States in 1783 and 1784, when Congress met in the State House. The treaty ending the Revolutionary War was ratified there in 1784. The State House remains the oldest state capitol building in continuous legislative use in the nation. All four Maryland signers of the Declaration of Independence had homes in Annapolis, all of which are still standing. The United States Naval Academy, founded in 1845, trains the nation's naval officers. The historic campus includes Bancroft Hall, one of the largest student dormitories in the world, and the crypt of Revolutionary War naval hero John Paul Jones. Once an important seaport, Annapolis is known today as "America's Sailing Capital."

Anne Arundel County has more than 500 miles of scenic Chesapeake Bay coastline. There are many waterfront communities. Sandy Point State Park near the Chesapeake Bay Bridge offers public access to the water, as do county parks such as Downs Park in Pasadena and Quiet Waters Park near Annapolis.

Located in the Baltimore/Washington corridor, the county has a diverse, advanced economy with Baltimore-Washington International Thurgood Marshall Airport being a major economic force. The county is also an important center for the defense industry, with the National Security Agency and Fort George G. Meade being located in the county. Fort Meade has more than 54,000 employees, making it the largest employer in Maryland. The Base Realignment and Closure in 2005 led to a significant expansion of Fort Meade and the defense contracting industry in the vicinity. The county's economy is also grounded in telecommunications, distribution operations, retail, and technical support services. Arundel Mills Mall in Hanover is one of the area's largest and busiest malls with over 200 stores. Adjacent to Arundel Mills Mall is the Maryland Live! Casino, which opened in 2012. The casino, with over 4,200 slot machines and table games, is the largest in the State and has one of the largest poker rooms in the country. The casino also has a live music venue and many dining options. The casino opened Live! Hotel, a 17-story luxury hotel with 310 rooms, in May 2018. The hotel opened 20,000 square feet of meeting and event space and a 1,500-seat performance hall in June 2018. Live! Hotel plans to add an additional 20,000 square feet of meeting and event space in spring 2019. Live! Hotel is the tallest building in Anne Arundel County.

Since 1964, Anne Arundel County has been a charter county, governed by an elected executive and a seven-member council. Anne Arundel County's official website is found at <http://www.aacounty.org>.

Baltimore City

Baltimore City was named for Cecilius Calvert's Barony in Ireland. The city was first incorporated in 1796 and was originally a part of Baltimore County. It became an independent unit separate from the county in 1851, and today is known by the nickname "Charm City."

Baltimore City is a dynamic urban center with a rich history. Francis Scott Key was inspired to write our national anthem, "The Star-Spangled Banner," while watching American forces at Fort McHenry withstand a British bombardment during the War of 1812. The nation's first railroad, the Baltimore and Ohio, began in the city. The oldest Catholic cathedral in the United States, the Basilica of the Assumption of the Blessed Virgin Mary, is located there. The city is also where the first telegraph message was received in 1844. The city grew based on a strong industrial economy and maritime trade.

Baltimore's economy today is fueled by a variety of institutions and industries. The Port of Baltimore remains a major employer. The port ranks among the leaders throughout the country in roll on/roll off cargo, imported forest products, automobile exports, overall tonnage handled, and total cargo value. The port's strategic location as the closest port to the large cities of the Midwest helps ensure its success. Sagamore Development, a private

real estate firm owned by Under Armour CEO Kevin Plank, plans to redevelop Port Covington over the next two decades. The \$5.5 billion project would include offices, homes, shopping, restaurants, waterfront parks, and a new Under Armour campus. Finance and banking are also industries important to the city's economy.

Other important sectors of the city's economy include health care and higher education. Johns Hopkins Medicine, which includes the Johns Hopkins University's medical school and the Johns Hopkins Hospital, is internationally renowned and is a leading recipient of federal medical research dollars in the nation. In addition to Johns Hopkins University, the city is home to Morgan State University; the University of Maryland, Baltimore; the University of Maryland Medical System; and several other institutions that make it an important center for research and innovation.

Baltimore's revitalized Inner Harbor is the center of a thriving tourism industry. Premier attractions include Oriole Park at Camden Yards, M&T Bank Stadium, the National Aquarium in Baltimore, the Maryland Science Center, the Walters Art Museum, and the Reginald F. Lewis Museum of Maryland African American History & Culture. Visitors are also attracted to the city's distinctive neighborhoods, including Fells Point, Little Italy, and Mount Vernon. The Horseshoe Baltimore opened in 2014 and has over 2,200 slot machines and over 150 table games, including a high-limit gaming area.

Baltimore City is governed by a mayor and a 15-member council. Baltimore City's official website is found at <http://www.baltimorecity.gov>.

Baltimore County

Known as "Maryland's horse country," Baltimore County was established in 1659. Following the separation of Baltimore City from the county, Towson became the county seat in 1854. The county has no municipalities.

Baltimore County represents a blend of historic neighborhoods, suburban communities, and rural landscapes. With over 175 miles of shoreline and many marinas, the county has many waterfront communities and is a popular destination for boaters and fishermen. Opportunities for outdoor recreation abound. Popular parks include Gunpowder Falls State Park, which encompasses much of the valley of the Gunpowder River; Soldiers Delight Natural Environment Area, which preserves rare serpentine grasslands; North Point State Park on the Chesapeake Bay; and the watersheds of the Loch Raven, Prettyboy, and Liberty reservoirs.

The county is also well known for its horse industry, with many thoroughbred horse farms and the annual Maryland Hunt Cup, the oldest and most difficult hunt race in the country. The area's reputation as "horse country" is largely due to the wealthy Ridgely

family, who began breeding and racing thoroughbreds in the late 1700s. Governor Charles Carnan Ridgely owned some of the finest thoroughbred horses in the country in the early nineteenth century. The Ridgely family home, Hampton, is now a national historic site. Located near Towson, Hampton was the largest house in the nation when it was completed in 1790.

The county has a strong, highly diversified economy that ranges from industrial facilities to federal government agencies, and high technology businesses. The Sparrows Point industrial area in Dundalk is served by rail, interstate highway, and a deepwater port. Tradepoint Atlantic is working to transform the former steel mill into one of the largest and most strategically significant intermodal global logistics hubs in the country. The federal government also has a major presence in the county. The headquarters of the Social Security Administration and the Center for Medicare and Medicaid Services are both located in Woodlawn. The bwtech@UMBC Research and Technology Park fosters technology and bioscience companies and encourages collaboration between those companies and the University of Maryland Baltimore County. Hunt Valley has a diverse business community with multinational companies including McCormick, BD Diagnostics Systems, and Proctor and Gamble. Other major business centers include White Marsh and Owings Mills. Construction began on Towson Row, a \$350 million project to build a hotel, restaurants, apartments, and student housing in downtown Towson, in June 2018.

Since 1956, Baltimore County has been a charter county, governed by an elected executive and a seven-member council. Baltimore County's official website is found at <http://www.baltimorecountymd.gov>.

Calvert County

Calvert County, geographically the smallest county in Maryland, is located in Southern Maryland. Originally created in 1654, the county was known as Patuxent County until 1658. Its current name is derived from the family name of Lord Baltimore, the Proprietary of the Maryland colony. Though not a municipality, Prince Frederick serves as the county seat.

Best known for its attractive location on the Chesapeake Bay and the Patuxent River, the two municipalities in the county are North Beach and Chesapeake Beach. Chesapeake Beach was a local resort town in the early twentieth century, served by a railway from Washington, DC. The Chesapeake Beach Railway Museum documents the history of the town. The community of North Beach boasts an expansive boardwalk along the bay.

Traditionally, agriculture and seafood have been mainstays of Calvert County's economy. Today, major industries include defense contracting, information technology,

tourism, and administrative services. Calvert Cliffs Nuclear Power Plant, operated by Constellation Energy Nuclear Group, is a major employer in the county. The plant, which began operating in the 1970s, is the only nuclear power plant in Maryland.

The county provides residents and visitors with excellent recreational opportunities such as boating, sailing, fishing, crabbing, and swimming. Cliffs line the shore of the Chesapeake Bay for 30 miles in Calvert County. Calvert Cliffs State Park provides public access to the bayside cliffs, where many fossils have been found. The Battle Creek Cypress Swamp Sanctuary near Prince Frederick contains one of the nation's northernmost stands of bald cypress trees.

Calvert County is also known for its historic and cultural resources. The Calvert Marine Museum and Drum Point Lighthouse in Solomons display vessels, live animals, and artifacts that depict the maritime history and environment of the Chesapeake Bay and Southern Maryland. The General Assembly designated the Calvert Marine Museum as the State paleontology collection and research center in 2018. The Cove Point Lighthouse in Lusby was constructed on the Chesapeake Bay in 1828 and is still operating. The Jefferson Patterson Park and Museum contains active archaeological sites and artifacts documenting 9,000 years of human habitation in the area.

The county has a commission government, and is governed by five county commissioners. Calvert County's official website is found at <http://www.co.cal.md.us>.

Caroline County

Caroline County, created from Dorchester and Queen Anne's counties in 1773, was named for Lady Caroline Eden, the daughter of Charles Calvert, Fifth Lord Baltimore, and wife of Robert Eden, Maryland's last colonial governor. Known as the "Green Garden County" for its commercial vegetable production, Caroline County is the only land-locked county on the Eastern Shore.

Denton, the largest of the county's 10 municipalities, serves as the county seat. Situated on a hill overlooking the Choptank River, the town has a historic courthouse green in the center of the community. The economy of the Town of Federalsburg was historically based on shipbuilding and sawmilling due to the extensive forests surrounding the town. Federalsburg sawmills provided lumber to rebuild the Capitol and the White House after they were burned during the War of 1812. Today Federalsburg is a manufacturing center.

Much of Caroline County is rural, and agriculture is the primary industry. The county is a leader in the State in the production of vegetables. Poultry farming is also an important occupation. Agritourists can choose from a wide range of activities that include picking fruits and vegetables, riding horses, meeting alpacas, and shopping at farmer's

markets. The major business centers are Denton and Federalsburg, with four industrial parks located in or near these towns.

Boasting over 8,000 acres of parkland and wildlife preserves, 100 acres of freshwater lakes, and many miles of rivers and streams, the county is a destination for outdoor recreation. Tuckahoe and Martinak State parks offer boating, camping, hiking, fishing, and hunting. Adkins Arboretum has miles of trails through a variety of habitats featuring native trees and plants.

Of historical interest is the Museum of Rural Life in Denton, which includes a log cabin from the 1800s, and several other historic residences. The Choptank River Heritage Center in West Denton includes a steamboat warehouse, one of the few remaining riverfront warehouses in the Chesapeake Bay region. The Harriett Tubman Underground Railroad Byway, a self-guided driving tour that winds for more than 125 miles through Caroline County and other areas on Maryland's Eastern Shore as well as in Delaware and Pennsylvania, features old homes and other sites that illuminate the experiences of runaway slaves and those who assisted their flight to freedom in the historic Underground Railroad.

Since 1984, Caroline County has operated as a code home rule county, governed by three county commissioners. Caroline County's official website is found at <http://www.carolinemd.org>.

Carroll County

Established in 1837 from the western part of Baltimore County, and the eastern part of Frederick County, Carroll County was named for Charles Carroll of Carrollton, a Revolutionary War statesman and a Maryland signer of the Declaration of Independence. Westminster, the largest of eight municipalities in the county, serves as the county seat.

Carroll County offers a variety of indoor and outdoor attractions. Piney Run Park in Sykesville includes a 300-acre lake and excellent fishing and hiking opportunities. The McKeldin Area of Patapsco Valley State Park is also popular. There are noteworthy cultural institutions in the county. The Carroll Arts Center in Westminster is a renovated 1937 art deco theater that has been transformed into a multipurpose community arts center. The center includes two large art galleries featuring shows by regional visual artists in a variety of media and styles. McDaniel College in Westminster, founded in 1867, was the first co-educational college south of the Mason-Dixon Line.

Several historic sites provide opportunities to explore the county's agricultural heritage. The Carroll County Farm Museum portrays life on a nineteenth century farm through restored buildings, including a farmhouse, barn, and one-room schoolhouse; exhibits of farm tools and machinery; and craft demonstrations. The Union Mills

Homestead and House Museum is the site of a family home and business that dates from 1797. In addition to the historic farmhouse, Union Mills Grist Mill is on the site. The mill is powered by a large waterwheel and still operates.

Carroll County has a dynamic and diverse economy. Agriculture, especially the dairy industry, remains an important part of the local economy, although the role of the commercial and industrial sectors has increased significantly in the county. Several vineyards are located in the county and it has hosted the annual Maryland Wine Festival for over 30 years. The county has a significant number of firms in the manufacturing, transportation, health, and business service sectors. Industrial properties are generally located near incorporated towns. The Westminster Technology Park welcomed its first tenant in 2008. Random House, Northrop Grumman, and Jos. A. Bank Clothiers are major employers in the county.

The county has a commission government, and is governed by five county commissioners. Carroll County's official website is found at <http://www.carr.org>.

Cecil County

Cecil County, named for Cecilius Calvert, Second Lord Baltimore and founder of the Maryland colony, is located in the northeast corner of the State. It was created out of Baltimore and Kent counties in 1674.

Elkton, one of eight municipalities, is the county's largest municipality and the county seat. Elkton was originally called Head of Elk, due to its location at the headwaters of the Elk River, a name given to it by Captain John Smith during his exploration of the Chesapeake in the 1600s. The town of Chesapeake City, one of the smaller communities in the county, grew up beside the Chesapeake and Delaware Canal. The canal, completed in 1829, connects the upper Chesapeake Bay with Delaware Bay, allowing ships to bypass the nearly 300-mile trip around the southern end of the Delmarva Peninsula to reach the Port of Baltimore. The C&D Canal Museum in Chesapeake City is housed in an original canal pumphouse and includes a full-size replica of a wooden lighthouse that once operated on the canal.

Cecil County's landscape varies from open farmland and forest-covered uplands to miles of beautiful shoreline and marshes that line the upper Chesapeake Bay. Five major rivers and the Chesapeake Bay provide year-round recreational and hunting opportunities for residents and visitors to Cecil County. Popular local pastimes include hunting, fishing, and boating. Elk Neck State Park is located on a peninsula in the Chesapeake Bay. This popular park offers swimming, camping, boating, hiking, and the Turkey Point Lighthouse, which affords a fine view of the bay. In 2017, the Department of Natural Resources acquired 460 acres of land near Chesapeake City to create the Bohemia River State Park.

Fair Hill Natural Resources Management Area in the county consists of more than 5,600 acres of pristine fields and woodlands with miles of trails. Formerly owned by William duPont, Jr., Fair Hill is a major equestrian center with a popular steeplechase race held annually in May to benefit Union Hospital.

There are several industrial parks in the county, including the Cecil Technology Campus. The county is primed for additional growth due to its desirable location on the Interstate 95 corridor between Baltimore and Philadelphia. In 2010, the Hollywood Casino opened in Perryville. It is the first casino to have opened in Maryland and offers more than 800 slot machines and table games.

Since 2012, Cecil County has been a charter county, governed by a five-member county council and an elected county executive. Cecil County's official website is found at <http://www.ccgov.org>.

Charles County

Charles County, in Southern Maryland, was established in 1658 and was named for Charles Calvert, Third Lord Baltimore.

La Plata, the largest of the county's three municipalities, serves as the county seat. The tiny Town of Port Tobacco had only 13 residents according to the 2010 census, but has an interesting history. The town was founded in 1634, the same year English colonists first arrived in Maryland. Once the second largest river port in Maryland, Port Tobacco declined when the river silted up and the railroad bypassed the town. The county seat was eventually moved to La Plata. Today, visitors to Port Tobacco can see the village green, a restored courthouse that includes a museum, and several historic homes.

With four State parks, three designated natural areas, and 150 miles of shoreline along the tidal Potomac River and its tributaries, Charles County is attractive for residents and tourists who enjoy outdoor activities. Camping, hiking, fishing, and boating are popular at Smallwood State Park, located on a tributary of the Potomac. The park also includes the restored home of General William Smallwood, the highest ranking Marylander to serve in the Revolutionary War and the State's fourth governor. Chapel Point and Purse State parks are undeveloped but provide waterfront access for hunting, fishing, and boating, while popular pastimes at Chapman State Park include fishing, hiking, birding, and hunting.

Sites of special historic interest in the county include the home of Dr. Samuel A. Mudd, who treated John Wilkes Booth's broken leg the day after Booth assassinated Abraham Lincoln. The Thomas Stone National Historic Site preserves the

eighteenth century home of one of Maryland's four signers of the Declaration of Independence.

Agriculture traditionally has been the mainstay of Charles County's economy. However, in recent years, the county has experienced significant business and residential growth due to its proximity to the Washington, DC metropolitan area. Much of this growth has been concentrated in the northern part of the county in and around Waldorf and Indian Head, and includes federal contracting, business services, health services, retail development, and technology. The Indian Head Explosive Ordinance Disposal Technology Division of the Naval Surface Warfare Center performs advanced research and development on explosives, propellants, and pyrotechnics. The center's workforce includes one of the highest concentrations of scientists, engineers, and chemists of any Navy facility. The Indian Head Science and Technology Park is a public-private partnership that will house defense and government contractors.

Since 2002, the county has operated as a code home rule form of government. It is governed by five county commissioners. Charles County's official website is found at <http://www.charlescountymd.gov>.

Dorchester County

Although the legal origin of Dorchester County is unknown, it has existed since 1668. The county was named for the Earl of Dorset, a family friend of the Calverts. The county is known as the "Heart of Chesapeake Country" because of its mid-Eastern Shore location and heart-shaped geographic configuration.

Cambridge, founded in 1684 along the banks of the Choptank River, is the largest of nine municipalities and serves as the county seat. It is one of the oldest towns in Maryland. The Cambridge Historic District includes buildings dating from the 1700s. Many historic structures have been restored as part of the revitalization of downtown Cambridge. Maritime trade, agriculture, shipbuilding, and seafood have all played important parts in the economy of Cambridge. Today, tourists are drawn to Cambridge for its history, scenery, and restaurants.

Noteworthy historic sites in Dorchester County are not confined to Cambridge. The Town of Church Creek includes Old Trinity Church, which was built in the seventeenth century and is still in use. Harriet Tubman, the famous "conductor" on the Underground Railroad, was born into slavery at a plantation near Bucktown. Formative events in her early life took place in the county. She eventually escaped from slavery and then returned repeatedly to Dorchester County to lead other enslaved people to freedom. Today, visitors to Dorchester County may tour several sites associated with Tubman. The county is also the site of the Harriet Tubman Underground Railroad National Historical Park that

encompasses 25,000 acres of federal, State, and private land, including the Harriett Tubman Underground Railroad Visitor Center, which opened in March 2017.

Dorchester County is home to Blackwater National Wildlife Refuge, a thriving nature sanctuary sometimes referred to as the “Everglades of the North.” The refuge consists of over 27,000 acres of wetlands, fields, and forests located 12 miles south of Cambridge. One-third of Maryland’s tidal wetlands are within the refuge. Blackwater is known for its abundant bird life. The refuge is a critical stopover for birds migrating along the Atlantic Flyway, which stretches from Canada to Florida. Blackwater is home to over 250 species of birds, including the largest breeding population of American bald eagles north of Florida. The largest natural population of rare Delmarva fox squirrels is also found in the refuge. Visitors to the refuge may drive, cycle, walk, canoe, or kayak along a network of roads, trails, and waterways to experience nature and view wildlife. The refuge also offers hunting, crabbing, and environmental education programs.

Agriculture, manufacturing, services, and tourism are the mainstays of Dorchester County’s economy. There are three industrial parks located within State enterprise zones in Hurlock and Cambridge. The Eastern Shore Innovation Center opened at the Dorchester Regional Technology Park in February 2016. The center is the first purpose-built business incubator on the Eastern Shore.

Since 2002, the county has operated under a charter home rule form of government. Dorchester County is governed by five county council members, who appoint a county manager. Dorchester County’s official website is found at <http://www.docogonet.com>.

Frederick County

Frederick County, geographically the largest county in Maryland, was created out of Baltimore and Prince George’s counties in 1748. The county was probably named for Frederick Calvert, the sixth and last Lord Baltimore. Frederick County is located in both the Appalachian Mountain and Piedmont Plateau regions.

The City of Frederick, the largest of 12 municipalities, serves as the county seat. During the Civil War, Frederick resident Barbara Fritchie famously defied Confederate soldiers by refusing to lower the Union flag she was flying. This incident was later memorialized in a poem by John Greenleaf Whittier. Frederick boasts several historic sites, including the Rose Hill Manor Park that features the home of Thomas Johnson, Maryland’s first elected governor, and the Schifferstadt Architectural Museum, a fortified house in the German Colonial style dating from the time of the French and Indian War. Another historic town is Emmitsburg, in northern Frederick County. Emmitsburg is home to Mount Saint Mary’s University, the nation’s second oldest Catholic university, and the

National Shrine of Saint Elizabeth Ann Seton, the first person born in the United States to be made a saint.

Frederick County was a center of conflict during the Civil War. Two major battles of the war were fought in Frederick County. The Battle of South Mountain was a prelude to the battle of Antietam. In the Battle of Monocacy, Union forces delayed the advance of a Confederate army marching on Washington, DC until reinforcements could arrive, thereby saving the nation's capital. State and national parks preserve the sites of these battles. Due to its proximity to the fighting, the City of Frederick became a major hospital center and today is the site of the National Museum of Civil War Medicine.

The mountains in the western part of the county contain several popular parks. Catoctin Mountain Park, part of the national park system, is the site of the Camp David presidential retreat. Nearby Cunningham Falls State Park features a cascading waterfall, a lake, and the site of a historic iron furnace. Other State parks in the county include Gambrill, known for its mountain views, and Gathland, site of the War Correspondents Memorial, erected by a journalist who covered the Civil War. The Appalachian Trail runs along the crest of South Mountain, which forms the county's western border.

Traditionally, agriculture has been the mainstay of the local economy. The county has more farms than any other county in Maryland, and the county ranks first in the State for sales of hay, cattle, and dairy products. However, the county's proximity to the nation's capital and the Interstate 270 technology corridor has resulted in significant business and residential growth in recent years. Growing industries include biotechnology, information technology, and manufacturing. The county has developed a growing craft beverage industry and is home to Flying Dog, the largest craft brewery in the State. Fort Detrick, the county's largest employer, is an important center for biomedical research and development and has helped propel the growth of the county's high-tech economy.

Since 2014, Frederick County has been a charter county governed by an elected executive and a seven-member council. Frederick County's official website is found at <http://www.frederickcountymd.gov>.

Garrett County

Garrett County, Maryland's youngest county, was created out of Allegany County in 1872. The county was named for John Work Garrett, one-time president of the Baltimore and Ohio Railroad. Located in Western Maryland, Garrett County is known for its mountainous terrain. Oakland, one of eight municipalities, serves as the county seat.

Garrett County is sometimes called "Maryland's mountaintop playground" due to its many parks and recreational activities. Deep Creek Lake, covering nearly 3,900 acres,

is Maryland's largest freshwater lake and offers many opportunities for boating, swimming, fishing, water skiing, and camping. Other popular activities in the county include skiing, whitewater rafting, hiking, rock climbing, mountain biking, and snowmobiling. Major attractions include Wisp Resort, a ski and golf resort, and the Adventure Sports Center International, a mountaintop whitewater rafting and rock climbing facility.

There are many public lands that preserve the county's beautiful mountain scenery. Swallow Falls State Park contains old growth forest, the scenic Youghiogheny River, and Muddy Creek Falls, a 53-foot waterfall that is the highest in Maryland. Other State parks in the county feature mountain lakes, rivers, and creeks. There are also three State forests in the county that comprise approximately 72,000 acres. Near Oakland is Cranesville Swamp, a rare wetland owned by the Nature Conservancy that contains vegetation normally found in Arctic regions. The high elevation and cool climate have preserved the swamp since the last ice age. Visitors may walk through the swamp on a boardwalk.

Of historic interest is Casselman River Bridge State Park, which preserves a bridge that was constructed in 1813 for the National Road, a major east-west route in the early nineteenth century. At the time of its construction, the bridge was the longest single span stone arch bridge in the world. The Spruce Forest Artisan Village adjacent to the bridge includes historic buildings moved to the site from other locations in Western Maryland and restored. Among the 12 historic buildings are log cabins, an inn, a church, and a mill. Artists give historic and contemporary arts and crafts demonstrations in the village. The 80-acre Sang Run State Park, next to the Youghiogheny River, opened in 2017 and includes a preserved homestead that dates back to the early 1800s. The original home site, farm, and store were single-family owned until the Maryland Park Service acquired it in 2002.

In addition to tourism, agriculture and coal mining are important parts of the local economy. Garrett County also produces a large amount of natural energy, including natural gas, wind, and water. There are several business and industrial parks located throughout the county. The Garrett Information Enterprise Center, located on the Garrett College campus, offers incubator space to new and expanding technology-based businesses.

The county has a commission form of government and is governed by three county commissioners. Garrett County's official website is found at <http://www.garrettcountry.org>.

Harford County

Harford County was created out of Baltimore County in 1773 and was named for Henry Harford, last Proprietary of Maryland. Billing itself as the "Gateway to the Chesapeake," Harford County is located near the northern edge of the Chesapeake Bay in Central Maryland.

Bel Air, one of three municipalities, serves as the county seat. The town provides retail and entertainment for the many housing developments in the area. Bel Air is home to several historic buildings, including the Hays-Heighe House and the Liriodendron Mansion.

In addition to agriculture, the Susquehanna River and Tidewater Canal are important economic resources in Harford County, and Havre de Grace, positioned where the Susquehanna River meets the Chesapeake Bay, played an important role in maximizing these resources. Timber, wheat, coal, and other products were transported from Pennsylvania to Havre de Grace via the canal. Further, the location next to the water provides excellent waterfowl hunting.

Tourism also plays a part in the economy due to the county's geographic location. Both Susquehanna State Park and Rocks State Park offer hiking, camping, and boating. Other destinations include the Susquehanna Museum, the Havre de Grace Duck Decoy Museum, and the Concord Point Lighthouse. During the spring and summer months, visitors and residents enjoy baseball and other outdoor activities at the Ripken Stadium in Aberdeen.

Harford County hosts a large military presence. Aberdeen was transformed from a transshipment center to one of the State's most important military towns when Aberdeen Proving Grounds was established in 1917. In 2005, Base Realignment and Closure decisions chose Maryland to accommodate a significant restructuring of U.S. military installations. The restructuring has led many employees of the Department of Defense, defense contractors, and businesses seeking military-related opportunities to relocate to the county.

Since 1972, Harford County has been a charter county governed by an elected executive and a seven-member council. Harford County's official website is found at <http://www.harfordcountymd.gov>.

Howard County

Located in Central Maryland, Howard County was originally created as Howard District from Anne Arundel County in 1838. While the district enjoyed the status of a county, it was not until 1851 that it was officially formed as such. It was named for John Eager Howard, an officer in the Revolutionary War and a governor of Maryland, and is considered a "county of contrasts," home to urban and rural settings, hills, and plains. With no municipalities, Ellicott City serves as the county seat.

Like many other counties, Howard County's early economy was based on tobacco. Today, the county's agrarian history is highlighted by Savage Mill and Ellicott City, former

mill towns that have been renovated into unique marketplaces featuring antique dealers, artisans, and retailers. Situated between Washington, DC and Baltimore City, Howard County has a diverse economic base, including biotechnology companies, research and development firms, telecommunication and cybersecurity companies, and wholesale distributors.

Howard County is home to one of the country's first planned communities, Columbia. In 1966, developer James Rouse created a city with planned neighborhoods, commercial and industrial development, and open spaces. Rouse envisioned a community with a sense of belonging and self-sustainability, which has largely become reality. Located within Columbia, Merriweather Post Pavilion is an entertainment destination for citizens throughout the State and beyond. Merriweather was designed by architect Frank Gehry to minimize changes to the topography while providing stellar acoustics. Each summer, Merriweather hosts over 200,000 visitors for concerts and festivals.

Many historical structures occupy Howard County. Built in 1830, the oldest railroad terminal in the United States houses the Ellicott City B&O Railroad Station Museum. Another railroad-related structure is the Bollman Truss Railroad Bridge, a semi-suspension bridge made of wrought iron and cast iron that is the last bridge of its kind. Other historic structures include the Thomas Isaac Log Cabin and the Patapsco Female Institute, which was founded in 1837 as a finishing school for young women.

Since 1968, Howard County has been a charter county governed by an elected executive and a five-member council. Howard County's official website is found at <https://howardcountymd.gov>.

Kent County

Kent County was first mentioned as a county in 1642, and was named for a county of the same name bordering the English Channel in southeast England. Located between the Sassafra and Chester rivers on the Eastern Shore, locals and visitors think of Kent County as “quintessentially rural.”

Chestertown, the largest of the five municipalities, serves as the county seat. The downtown area contains many historic houses, as well as art galleries, shops, and restaurants. Chestertown is also home to Washington College, a small private liberal arts school. The college was founded in 1782 and is the tenth oldest school of higher education to be chartered in the United States.

Kent County is a nature lover's paradise. Eastern Neck National Wildlife Refuge is an unspoiled island habitat reachable by the Chesapeake Country Scenic Byway, Maryland's oldest national scenic byway. Thousands of waterfowl migrate here each year,

mostly Canada geese, tundra swan, and canvasback ducks. The Sassafras River Natural Resource Management Area and Turner's Creek also provide opportunities to see wildlife and scenic landscapes. The county has many natural venues for outdoor activities such as fishing, boating, and cycling that appeal to residents and visitors.

Historically, the Chester River prominently contributed to the Kent County economy. Chestertown was a royal port of entry and later served as a shipping port for steamboats. Today, the maritime focus of the Kent County economy has shifted to Rock Hall, where many watermen make a living and charter fishing is a favorite pastime for visitors. Additionally, agriculture is a significant contributor to the local economy. Kent County agricultural products include corn, milk, soybeans, and vegetables.

Since 1970, Kent County has operated as a code home rule county, governed by three county commissioners. Kent County's official website is found at <http://www.kentcounty.com>.

Montgomery County

Montgomery County was created out of Frederick County by resolve of the Constitutional Convention of 1776. The county was named for Richard Montgomery, a Revolutionary War general. The county has the largest population in the State with approximately one million residents. Of the 19 municipalities in the county, Rockville serves as the county seat.

Montgomery County is one of the most affluent and diverse jurisdictions in Maryland, home to the largest Hispanic and Asian communities in the State. The county remains a leader in advanced technology and research with over 350 bioscience companies located in the county, including biotech leaders such as AstraZeneca, GlaxoSmithKline, and United Therapeutics. Nineteen federal agencies are also located in the county, including the National Institutes of Health, the National Institute of Standards and Technology, and the Food and Drug Administration. Additionally, the county has many hospitality companies, financial services, agriculture/horticulture businesses, and construction/real estate companies.

Although Montgomery County is better known for its urban centers and technology, it encompasses many historical sites, nature parks, and gardens, including the Chesapeake and Ohio Canal National Historical Park. In 1828, construction began on the Chesapeake and Ohio Canal in Little Falls and was intended to extend 360 miles to Ohio. Unfortunately, financial troubles and unexpected weather stopped construction in Cumberland. The canal was eventually turned over to the federal government and proclaimed a national historical park in 1971. Today, the park includes several hiking trails. One trail leads to beautiful views of the Great Falls, where the Potomac River cuts through the landscape. Other parks

in Montgomery County include Seneca Creek State Park, Black Hill Regional Park, Little Bennett Regional Park, and Rock Creek Regional Park. Gardens in the county include McCrillis Gardens and Brookside Gardens.

In 1948, Montgomery County became the first county to adopt charter home rule. Today, Montgomery County is governed by an elected executive and a nine-member council. Montgomery County's official website is found at <http://www.montgomerycountymd.gov>.

Prince George's County

Prince George's County was created out of Calvert and Charles counties in 1695. The county was named for Prince George of Denmark, the husband of Queen Anne. Upper Marlboro, 1 of 27 municipalities, serves as the county seat.

Prince George's County, the second largest county in terms of population, has retained aspects of its past even as it has attracted cutting-edge research facilities. Farmers harvest crops from centuries-old family farms adjacent to facilities such as the NASA-Goddard Space Flight Center. The county's proximity to the nation's capital has attracted nearly a dozen other federal facilities such as the U.S. Department of Agriculture Beltsville Agricultural Research Center and the Army Research Laboratory. FedEx Field, the home of the Washington Redskins, is also located in the county.

Prince George's County is home to the University of Maryland, College Park, the University System of Maryland's flagship campus and one of the largest employers in the county. The university was founded in 1856 and today has approximately 30,000 undergraduate and 11,000 graduate students. The university is well known for its research and ranks consistently high among the country's public research universities in publications such as *U.S. News and World Report*. The university also plays a large role in the arts through the Clarice Smith Performing Arts Center.

In the spring of 2008, National Harbor made its debut in Prince George's County. National Harbor is a 300-acre, mixed-use community on the Potomac River. The community includes hotels, restaurants, retail stores, condominiums, marinas, and commercial office space. Located within National Harbor is the Gaylord National Hotel and Convention Center. MGM Resorts opened a destination resort casino at National Harbor in December 2016. The \$1.4 billion resort is 24 stories high and includes 234 guest rooms, 74 suites, a 3,000-seat theater, shops, bars, restaurants, a spa, and over 125,000 square feet of gaming.

Considering its urban location, Prince George's County has a large amount of open space. The Patuxent Research Refuge encompasses approximately 13,000 acres and

includes the National Wildlife Visitor Center. The refuge has two lakes and many hiking trails, while the visitor center provides hands-on activities and multimedia displays to educate visitors about the surrounding wildlife and landscape. Other natural habitats in the county include the Patuxent River Park, Merkle Wildlife Sanctuary, and Cedarville State Forest, which includes the headwaters of the only fresh water swamp in Maryland, Zekiah Swamp.

Since 1970, Prince George's County has been a charter county and is governed by an elected executive and an 11-member council. Prince George's County's official website is found at <http://www.princegeorgescountymd.gov>.

Queen Anne's County

Queen Anne's County was established in 1706 and named for Queen Anne, who ruled Great Britain during the period Maryland was governed as a royal colony rather than a proprietary province. The county is considered the "Gateway to the Eastern Shore," because eastbound travelers enter Queen Anne's County via the Chesapeake Bay Bridge. Centreville, the largest of eight municipalities in the county, serves as the county seat and houses the oldest courthouse in continuing use in Maryland.

Directly over the Chesapeake Bay Bridge is Kent Island, the first area to be settled on the Eastern Shore. Today, Kent Island contains many marinas and restaurants, and the quaint Town of Stevensville. Continuing onto the Eastern Shore, travelers find themselves in Queenstown. To the average traveler, Queenstown is known for its outlet stores. However, a short detour off of the main highway finds a small town with an interesting historic district.

On the border of Queen Anne's and Talbot counties lies Wye Oak State Park. The park consists of 29 acres that were purchased by the State in order to protect the Wye Oak Tree. The tree measured 31 feet, 8 inches in circumference and was considered the largest white oak in the United States until it fell during a wind storm in 2002. The park is also home to the Wye Grist Mill. The mill is powered by a water wheel and still grinds flour on first and third Saturdays from mid-April to mid-November.

Although Queen Anne's County has experienced significant growth, it has maintained a primarily agricultural- and tourism-based economy. Tuckahoe State Park and Wye Island Wildlife Refuge provide unique experiences for nature lovers. The county is also home to the Chesapeake Bay Environmental Center, which specializes in environmental education, restoration, and recreation. A sizeable number of county residents commute to the Annapolis, Baltimore, and Washington areas for jobs.

Since 1990, Queen Anne’s County has operated as a code home rule county, governed by five county commissioners. Queen Anne’s County’s official website is found at <http://www.qac.org>.

St. Mary’s County

St. Mary’s County, Maryland’s first county, was established in 1637. This Southern Maryland county was named in honor of Mary, mother of Jesus. Leonardtown, the only municipality in the county, serves as the county seat.

It was in St. Mary’s County that the Ark and Dove landed on March 25, 1634, and the county, considered Maryland’s birthplace, is where the first Maryland State House stood. Historic St. Mary’s City recreates colonial times through several living history exhibits, including a working replica of the Dove, which is moored on the St. Mary’s River. A reconstruction of the 1634 State House, the Woodland Indian Hamlet, and the Godiah Spray Tobacco Plantation also allow visitors to step into the past. Artifacts from the city are displayed at the St. John’s Site Museum, which also preserves the foundation of the home that was built in 1638 for Maryland’s first provincial secretary. The site of Maryland’s first capital is also home to St. Mary’s College of Maryland, which has been designated the State’s honors college.

St. Mary’s County is located where the Potomac River meets the Chesapeake Bay. The location where the river and bay meet was used during the Revolutionary War and the War of 1812 as a watch post and during the Civil War as a Union hospital and prison camp. Today the location is known as Point Lookout State Park and is a popular camping and fishing spot. Other State parks in St. Mary’s County include Greenwell State Park, Newtowne Neck State Park, St. Clements Island State Park, and St. Mary’s River State Park.

Traditionally, agriculture and seafood have been St. Mary’s County’s economic mainstays. However, the county has emerged as a world-class center for aviation and avionics research, development, and testing. The county is home to the Naval Air Station Patuxent River (NAS Pax River), an installation that has prompted significant growth in the county as it has assumed additional responsibilities due to closure of other military installations around the country. The U.S. Naval Air Systems Command, the Naval Air Warfare Center Aircraft Division, as well as over 200 high-tech defense contractors are located in the county.

In stark contrast to the technical industry, St. Mary’s County has a large Amish and Mennonite presence. Amish and Mennonite communities are located in Charlotte Hall, Mechanicsville, and Loveville, and it is not uncommon to see horse buggies driving along

the roadways. Several roadside markets provide ample opportunities to buy Amish produce and baked goods.

The county has a commission government and is governed by five county commissioners. St. Mary's County's official website is found at <http://www.co.saint-marys.md.us/>.

Somerset County

Somerset County was established in 1666 and named for Lady Mary Somerset, the sister of Lady Anne Arundell. Princess Anne serves as the county seat, the only other municipality is Crisfield.

Somerset County is noted for its water-oriented activities, natural wildlife sites, and blue crabs. The agriculture, seafood, and timber industries are important components of the local economy. State facilities include the University of Maryland Eastern Shore and the Eastern Correctional Institution.

Crisfield, the largest municipality in the county, serves as a major seafood processing center. Called "The Crab Capital of the World," each year the county holds the National Hard Crab Derby to celebrate the county's rich seafood heritage. The derby includes crab races, crab picking contests, and boat docking races. Crisfield also hosts the J. Millard Tawes Crab and Clam Bake on the third Wednesday of every July. The event is named after the fifty-fourth governor of the State and is considered an important event for most statewide political campaigns. Besides meeting political candidates, attendees at the crab and clam bake indulge in all-you-can-eat crabs, clams, fish, corn on the cob, and watermelon.

Smith Island is a short boat ride west of Crisfield. The island is located in a part of the Chesapeake Bay referred to as the Tangier Sound and the dialect spoken there is called "Tidewater English" by linguists. Historically known for commercial crabbing, Smith Island has also become known for its multilayer cake (aka Smith Island Cake), which the General Assembly designated the State dessert in 2008. The Smith Island Baking Company recently invested \$1 million and ships about 1,000 cakes per day.

The county has a commission government and is governed by five county commissioners. The official website for Somerset County is found at <http://www.somersetmd.us>.

Talbot County

Talbot County was created in 1662 and named for Lady Grace Talbot, the sister of the Second Lord Baltimore. Easton, the largest of five municipalities, serves as the county seat.

Talbot County's quaint towns and waterfront communities make the county a popular tourist destination. Easton's downtown consists of tree lined streets with unique stores and restaurants. Each November, the Waterfowl Festival is held in Easton, attracting thousands of visitors to celebrate nature, art, and local sportsman activities.

In the county's colonial days, the shipbuilding industry flourished. Today, people can relive these earlier times by visiting the Chesapeake Bay Maritime Museum located in St. Michaels. At the museum, visitors can observe the restoration of traditional boats or the carving of decoys.

Nearby Oxford and Tilghman Island are also popular vacation spots. Oxford, originally one of two seaports in the State, is a charming town that remains largely untouched by modern development and is home to the Oxford-Bellevue Ferry, one of the oldest, privately owned ferries in the country. Tilghman Island is an authentic working waterman's village and is home to the oldest working skipjack on the Chesapeake Bay.

Due to its natural setting along the bay, besides tourism and agriculture, Talbot County has focused on environmental science and related information technology companies for new employment growth. Manufacturing remains a significant part of the local economy.

Since 1973, Talbot County has operated as a charter county governed by a five-member council that appoints a county manager. Talbot County's official website is found at <http://www.talbotcountymd.gov>.

Washington County

Washington County was created out of Frederick County by resolve of the Constitutional Convention of 1776 and named for George Washington. The county is located in Western Maryland. Hagerstown, the largest of nine municipalities in the county, serves as the county seat.

Washington County has become a popular destination for its Civil War history. Antietam National Battlefield was the site of the bloodiest day of the Civil War. Today visitors to the battlefield can view commemorative monuments that indicate where Union and Confederate troops fought during the battle. The monuments include mortuary cannons

that mark where six generals were killed or mortally wounded. Other Civil War sites include Pry House Field Hospital Museum and Washington Confederate Cemetery, established as part of the Rose Hill Cemetery in 1871. Fort Frederick State Park is another destination in Washington County that offers insight into colonial warfare. The fort was built in 1756 to protect the colony of Maryland during the French and Indian War. Each year, British, French, and Indian reenactors assemble for eighteenth century living history demonstrations and battle reenactments.

Washington County also offers a variety of outdoor activities. The South Mountain and Potomac River provide the perfect scenery for several State and national parks. The county is home to Ferry Hill Place, part of the Chesapeake and Ohio Canal National Historical Park, Greenbrier State Park, and the Western Maryland Rail Trail.

Traditionally, agriculture has been an economic mainstay. However, with the intersection of Interstates 70 and 81, the area has attracted major financial, industrial, and distribution centers. The proximity to the interstates has also provided residents with easy access to nearby metropolitan areas.

The county has a commission government and is governed by five county commissioners. Washington County's official website is found at <http://www.washco-md.net>.

Wicomico County

Wicomico County was created out of Somerset and Worcester counties as part of the adoption of the Maryland Constitution in 1867. The county was named after the Wicomico River, a name derived from the Native American words "wicko" and "mekee," meaning a "place where houses are built."

Salisbury, the largest of eight municipalities, serves as the county seat and is the cultural and entertainment destination on the Lower Eastern Shore. Salisbury is home to Salisbury University and the Delmarva Shorebirds, a Class A minor league affiliate of the Baltimore Orioles. Also located in Salisbury are Wicomico County's civic center, equestrian center, and athletic complex.

Additionally, Wicomico County's rich heritage offers many sites for visitors and residents to enjoy. Visitors to Wicomico County often visit the Salisbury Zoo and the Ward Museum of Wildfowl Art. The Salisbury Zoo houses animals from North, South, and Central America and admission for the public is free. The Ward Museum exhibits the history of making decoys with emphasis on the work of local artists. The Adkins Museum and Historical Complex provides tours of eight historic buildings and includes over 800 mid-nineteenth century artifacts. Visitors wanting to learn more about lower

Eastern Shore life can also explore exhibits focusing on textiles, banking, sports and leisure, and spirituality at the Barren Creek Heritage Center and Museum, which offers over 30 permanent exhibits. The Whitehaven Ferry, which travels between the quaint town of Whitehaven in Wicomico County and the Mount Vernon area of Somerset County across the Wicomico River, began operating in 1688 and is thought to be the oldest continuously operating ferry in the United States. Nearby is Upper Ferry, a smaller ferry that also crosses the Wicomico River. Those individuals wishing to explore the outdoors can visit Pemberton Historical Park, which offers more than five miles of nature hiking trails.

Wicomico County is one of the leading agricultural producers in the State, although it is also a commercial/industrial center. The county is the national headquarters for Perdue Farms, one of the largest employers in the area. The county also has a nationally recognized hospital and one of the largest airports in the State.

Since 1964, Wicomico County has operated as a charter county and is now governed by an elected executive and a seven-member council. Wicomico County's official website is found at <http://www.wicomicocounty.org>.

Worcester County

Worcester County, created out of Somerset County in 1742 and named for the Earl of Worcester, is Maryland's only county bordering the Atlantic Ocean. Snow Hill, one of four municipalities in the county, serves as the county seat.

Ocean City is the county's largest municipality and serves as one of the State's most prominent tourist attractions, offering cruises, fishing, golfing, surfing, amusement parks, and sunbathing. Ocean City hosts visitors for the White Marlin Open, the Dew Tour, the Delmarva Birding Weekend, and the World Championship Wildfowl Carving Competition. Two festivals mark the beginning and end of the tourist season, Springfest and Sunfest.

An alternative to the crowds of Ocean City is nearby Assateague State Park and Assateague Island National Seashore. Visitors to the area will find beaches untouched by development, hiking trails, and campgrounds. Frequently, guests will see wild ponies or one of the over 200 species of birds that live or migrate through the park and seashore.

The historic town of Berlin is also a short ride from Ocean City. Berlin is lined with antique stores and over 45 structures listed on the National Register of Historic Places. Major motion pictures *Tuck Everlasting* and *Runaway Bride* were filmed there. In addition, in 2014, Berlin was named America's Coolest Small Town in a contest by *Budget Travel*. Ocean Downs Racetrack is another noteworthy destination in Worcester County. Throughout the summer live harness racing can be watched and betted on, and throughout

the year the racetrack simulcasts both thoroughbred and standardbred races. Additionally, the Casino at Ocean Downs, which opened in 2011, has over 900 slot machines and virtual table games. Besides agriculture and tourism, chicken growing and processing is the major industry.

Since 1976, Worcester County has operated as a code home rule county, governed by seven county commissioners. Worcester County's official website is found at <http://www.co.worcester.md.us>.

Chapter 3. County Government

This chapter reviews the three forms of county government: commission; charter home rule; and code home rule. Although Baltimore City is a municipality with a unique history, it will be reviewed in conjunction with the charter home rule counties because it derives its home rule powers under Article XI-A of the Maryland Constitution, the same article under which the charter home rule counties operate. Exhibit 3.1 shows the form of government for each Maryland county and the year in which local home rule became effective.

Exhibit 3.1
Forms of County Governments in Maryland

<u>Charter Home Rule</u>		<u>Code Home Rule</u>		<u>Commission</u>
Anne Arundel	1964	Allegany	1974	Calvert
Baltimore City	1918	Caroline	1984	Carroll
Baltimore	1956	Charles	2002	Garrett
Cecil	2012	Kent	1970	St. Mary's
Dorchester	2002	Queen Anne's	1990	Somerset
Frederick	2014	Worcester	1976	Washington
Harford	1972			
Howard	1968			
Montgomery	1948			
Prince George's	1970			
Talbot	1973			
Wicomico	1964			

Source: Department of Legislative Services

Establishment and Alteration of Counties

As the county historical overview in Chapter 2 indicates, Maryland's counties were created by different means. Despite the historical variations, the Maryland Constitution for over 100 years has governed the process for the establishment of counties. Specifically, Article XIII of the Maryland Constitution prescribes the manner in which a county may be established and a county boundary may be altered.

Article XIII, Section 1 of the Maryland Constitution establishes minimum area and population standards for the establishment of new counties. A county may not be established in an area that is less than 400 square miles or that includes less than 10,000 inhabitants, nor may a new county be *formed* in a manner that would leave another county reduced in size or population below these amounts. Although the General Assembly is vested with authority to establish new counties or modify county boundaries, these changes require the approval of the majority of the voters residing within the affected area. The General Assembly may not impose additional referendum requirements beyond those prescribed by the Maryland Constitution.

The last county in the State was established in 1872 (Garrett County); formation of a new county appears unlikely. However, occasionally questions arise concerning the alteration of county boundaries. For example, for several decades, the City of Takoma Park was located partly in Montgomery County and partly in Prince George's County. In 1994, after 12 years of debate, the General Assembly passed legislation that allowed the voters in each portion of Takoma Park to decide by referendum whether the county line should be altered in order to locate Takoma Park entirely within one county. In November 1995, the voters elected to place the city entirely within Montgomery County, and the county boundary change took effect July 1, 1997.

Development of Home Rule Authority

Within three years after the establishment of Lord Baltimore's first settlement in 1634 at what is currently St. Mary's City, the rudimentary traces of local government were present. Maryland's first unit of local government, St. Mary's County, was established in 1637. Over the next three centuries, both the number and form of local government units in Maryland grew. However, the local governments were strictly seen as "creatures of the State," and had no inherent powers of their own. The State's first grant of home rule authority to local governments was not made until 1914, and it took over five more decades for the majority of local government units to receive and implement home rule powers.

Because local governments historically had no home rule powers, the General Assembly spent considerable time dealing with local issues. Despite the tradition of "local courtesy," whereby the General Assembly gave considerable weight to the sentiment of the representatives of the local jurisdiction that was the subject of a particular bill, significant time was devoted to local matters.

The impact of local legislation on the General Assembly's time and resources, as well as the developing trend in other states to grant home rule powers to their municipal and county governments, prompted Maryland to become the second state to adopt a constitutional provision permitting counties and Baltimore City to adopt and frame their own charters. This measure was passed by the General Assembly in 1914, ratified by the

voters in 1915, and became Article XI-A of the Maryland Constitution, the so-called charter home rule amendment. Despite having this new vehicle to exercise home rule powers, only two jurisdictions took advantage of this opportunity during the next several decades: Baltimore City in 1918 and Montgomery County in 1948.

Since Article XI-A had limited implementation for the first half of the twentieth century, the General Assembly continued to handle voluminous amounts of local legislation. An estimate for the years 1924 to 1939 placed the average number of bills passed dealing with counties and municipalities at 59% of the total. The amount of local legislation reached an all-time high during the 1951 session when 70% of the bills passed were local in nature. Typically, the General Assembly spent considerable time dealing with provisions relating to covers on refuse cans, prescribing the maximum length of dog license tags, and the placement of signs, to name a few. Because it became increasingly apparent that local legislation was forcing legislators to spend a disproportionate amount of time away from matters of statewide policy, a special commission was established to study local legislation. In 1951, Governor Theodore R. McKeldin appointed the Commission on Administrative Organization of the State, chaired by Simon E. Sobeloff. The Sobeloff Commission, among other findings, determined that it was only proper that localities should have full power and authority to consider matters of a local nature.

The recommendations of the Sobeloff Commission bore fruit promptly, at least as to municipalities. In 1954, another constitutional amendment was enacted and ratified by the voters, Article XI-E, providing municipal home rule to the incorporated cities and towns of Maryland. This amendment, coupled with the enactment of a statutory subtitle on home rule, granted municipalities broad powers to enact, amend, or repeal their charters and at the same time restricted the General Assembly's powers to pass local legislation for municipalities.

As to the counties, only three more counties adopted home rule under Article XI-A during mid-century: Baltimore County in 1956; and Anne Arundel and Wicomico counties in 1964. It was suggested that this slow-moving trend indicated a need for an alternative form of home rule government for the counties, a form that could meet the need of counties that might adopt home rule but for the arduous process and political challenges associated with the adoption of a charter and the restructuring of government.

In 1965, the General Assembly proposed a constitutional amendment offering an alternative form of county government referred to as "code" home rule. "Requiring neither the drafting and approval of a local charter nor carrying with it any requirement or association with a major re-organization of county government, code home rule ... presented a very real alternative to charter home rule in Maryland." (62 Op. Att'y Gen. 275, 281 (1977), citing Spencer, *Contemporary Local Government in Maryland*, pp. 26-27

(1965)). In 1966, the voters ratified the proposed amendment, adding to the Maryland Constitution Article XI-F, “Home Rule for Code Counties.”

Today, 11 counties exercise charter home rule, and 6 counties operate under code home rule. The other 6 counties remain commission counties. While the General Assembly still handles a considerable amount of local legislation each year, the overall burden has been significantly reduced.

County Functions and Services

Regardless of the form of county government, certain functions and services have come, over time, to be provided by every county, although the level of services and the manner in which services are provided may vary. These county functions may be classified as either services of statewide concern, whereby the county serves as an administrative arm of the State in the provision of services, or strictly local services that are required or expected in each county. Types of services that are provided at the local level include general government (*i.e.*, executive and legislative functions, finance, legal services, personnel, and procurement), land use matters and regulation of development (*i.e.*, planning and zoning, issuance of building permits, and inspections), public safety (*i.e.*, fire, police, emergency services, and corrections), public works (*i.e.*, transportation, sanitation, and sewer and water), health and social services, primary and secondary education, community colleges, libraries, and recreation.

Commission Counties

Colonial Origins

At the time the first colonial counties were formed, county courts served as the administrative units of county government. Chapter 53 of 1794 established levy courts, composed of the justices of the peace in the counties. The basic duty of the levy courts was to determine the necessary expenses of the county and impose an assessment on property to defray the county’s expenses. Starting in 1827, boards of county commissioners began to administer county governments under authority of the General Assembly. The term “county commissioners” was first recognized in the Maryland Constitution of 1851. However, until the Maryland Constitution of 1867, county commissioners were simply administrative officers, in charge of county finances and the care of public roads. After the Maryland Constitution of 1867 was adopted, the General Assembly gradually expanded the authority of county commissioners.

Constitutional and Statutory Authority

Article VII, Section 2 of the Maryland Constitution provides that the number, compensation, and powers and duties of the county commissioners “shall be such as now are or may be hereafter prescribed by law.” This provision has been interpreted to mean that the General Assembly has full power to legislate for commission counties.

Section 9-403 of the Local Government Article establishes that the county commissioners of each county are a corporation. Commission counties generally have been granted extensive statutory authority to handle local matters under various and numerous public general laws and public local laws. However, in many areas there are significant variations in the authority of individual commission counties. In addition, when granting some new authority, the General Assembly may make the provision applicable to all commission counties, to all counties except those counties specifically exempted, or only to those specified counties. Moreover, when interpreting the statutory authority of commission counties, the courts will strictly construe the scope of the authority granted.

In carrying out their duties, the county commissioners wear numerous hats. They act in legislative, executive or administrative, and quasi-judicial capacities. However, the line between these roles is often blurred. The day-to-day administration of county government varies among commission counties. In some cases, the county commissioners have delegated significant responsibility to a county administrator. In other commission counties, the commissioners have retained greater involvement in day-to-day operations.

Structure and Election of County Officers

Article VII of the Maryland Constitution vests in the General Assembly authority to determine the number of county commissioners in each commission county as well as the manner in which county commissioners are elected. All but one of the commission counties have five county commissioners; the remaining county, Garrett County, has three commissioners. Commissioners are elected at-large, by district, or by a combination of these methods. Under Article XVII of the Maryland Constitution, county commissioners are elected for four-year terms, coincident with the election of the Governor and members of the General Assembly. Exhibit 3.2 shows the structure and election system for each commission county.

Exhibit 3.2
County Governments – Form and Structure

County	Government Form	Elected		Members on County Council/Board		
		Executive	Legislative Structure	At-large	District	Total
Allegany	Code Home Rule	No	Board of Commissioners	3	0	3
Anne Arundel	Charter Home Rule	Yes	County Council	0	7	7
Baltimore City ¹	Charter Home Rule	Yes	City Council	1	14	15
Baltimore	Charter Home Rule	Yes	County Council	0	7	7
Calvert ²	Commission	No	Board of Commissioners	2	3	5
Caroline	Code Home Rule	No	Board of Commissioners	3	0	3
Carroll	Commission	No	Board of Commissioners	0	5	5
Cecil ²	Charter Home Rule	Yes	County Council	0	5	5
Charles ^{1,2}	Code Home Rule	No	Board of Commissioners	1	4	5
Dorchester	Charter Home Rule	No	County Council	0	5	5
Frederick	Charter Home Rule	Yes	County Council	2	5	7
Garrett ²	Commission	No	Board of Commissioners	0	3	3
Harford ¹	Charter Home Rule	Yes	County Council	1	6	7
Howard	Charter Home Rule	Yes	County Council	0	5	5
Kent	Code Home Rule	No	Board of Commissioners	3	0	3
Montgomery	Charter Home Rule	Yes	County Council	4	5	9
Prince George's ³	Charter Home Rule	Yes	County Council	2	9	11
Queen Anne's ²	Code Home Rule	No	Board of Commissioners	1	4	5
St. Mary's ^{1,2}	Commission	No	Board of Commissioners	1	4	5
Somerset	Commission	No	Board of Commissioners	0	5	5
Talbot	Charter Home Rule	No	County Council	5	0	5
Washington	Commission	No	Board of Commissioners	5	0	5
Wicomico	Charter Home Rule	Yes	County Council	2	5	7
Worcester	Code Home Rule	No	Board of Commissioners	0	7	7

¹In Baltimore City and Charles, Harford, and St. Mary's counties, the council or board president is elected at-large. In other counties, the president is either selected by the council/board members or the individual who received the most votes in the election.

²In Calvert, Cecil, Charles, Garrett, Queen Anne's, and St. Mary's counties, at least some of the council members or commissioners must reside within specified districts but be elected by voters throughout the county.

³In accordance with a county charter amendment approved by the voters on November 8, 2016, and effective in 2018, the county council expanded to include two new at-large members in addition to nine members elected by districts.

Source: Department of Legislative Services

Consideration of Home Rule

In the decade after the second form of home rule authority was made available under the Maryland Constitution, the voters in six commission counties approved some form of home rule: charter home rule was adopted by Prince George’s County in 1970, Harford County in 1972, and Talbot County in 1973; and code home rule was adopted by Kent County in 1970, Allegany County in 1974, and Worcester County in 1976. However, this momentum slowed dramatically as home rule was adopted by only one county in each of the two subsequent decades: Caroline County in 1984, and Queen Anne’s County in 1990, both adopting code home rule.

Since 1990, at least six commission counties have considered home rule on one or more occasion. Until 2002, the voters in each instance rejected the proposed change, apparently satisfied that the commission form of government met local needs. In 2002, home rule referendums were successful in two counties: Charles County adopted code home rule and Dorchester County adopted charter home rule. More recently, Cecil County adopted charter home rule in 2010, effective December 3, 2012, and Frederick County voters approved charter home rule in 2012, effective December 1, 2014. A local ballot question concerning the adoption of code home rule in St. Mary’s County failed to pass in 2016.

Charter Counties

Adoption of Charter Home Rule

Article XI-A of the Maryland Constitution prescribes two methods of adopting charter home rule: the original procedure dating from 1915 and an alternative procedure that was added in 1970. Both procedures include the creation of a charter board and the drafting of a charter and are outlined in Exhibit 3.3. Although Baltimore City adopted a charter form of government in 1918, it was not until 1948 that Montgomery County became the first county to adopt charter home rule. Today 11 counties operate under charter home rule. These counties and the date that charter home rule became effective are shown in Exhibit 3.1.

Concern about the lengthy time required to complete the adoption of charter home rule under the original process led to the creation of the alternative procedure, which has streamlined provisions for the initiation of the process, the creation of the charter board, and the vote on the proposed charter. In addition, the time in which a charter board has to prepare a proposed charter has been expanded twice. Under the original law, a charter board was given 6 months to draft a charter. In 1964, the timeframe was extended to 12 months; in 1992 it was extended to 18 months. Since the streamlined process for adopting charter home rule was made available in 1970, four of the five counties that have adopted charter home rule after 1970 have used the alternative procedure. These counties include Cecil, Dorchester, Frederick, and Talbot.

Exhibit 3.3
Adoption of Charter Home Rule under the Maryland Constitution

Process	Article XI-A, Section 1	Article XI-A, Section 1A
Initiation of Process: Proposal of Charter Board	Petition by 20% or 10,000 voters, whichever is less, requires governing body to nominate charter board. (In Baltimore City, mayor and city council may initiate process.) Charter board consists of 5 members. (In Baltimore City, 11 members.)	1. At any time, county commissioners may appoint charter board consisting of uneven number of members, ranging from 5 to 9. OR 2. Petition by 5% or 10,000 voters, whichever is less; appointments must be made by the county commissioners within 30 days of receipt of the petition.
Nomination of Charter Board	Nominations by governing body to be received not less than 40 days before election, and by voter petition, not less than 20 days before election.	After the governing body appoints a charter board, additional nominations may be made by a petition signed by 3% or 2,000 voters, whichever is less, and delivered within 60 days after the board is appointed.
Election on Charter Board and Its Membership	Next general or congressional election. If no more than 5 nominations (or 11 in Baltimore City) are received, the nominees constitute the charter board. Sole question is whether to create a charter board. If more than 5 nominations, the voters must determine whether to create a charter board <i>and</i> the membership of the board.	If petition is submitted, no sooner than 30 days and no later than 90 days after receipt of petition. Election unnecessary if no additional nominations received. (Voters do not have an opportunity to decide whether a charter board should be created.)
Result of Election on Charter Board Membership	If majority favors creating charter board, top 5 vote getters constitute charter board (11 in Baltimore City). If only 5 nominees, no vote on board members. If majority rejects creation of charter board, election of board members is void, and process ends.	Top vote getters equal to the number of board members initially appointed constitute charter board.
Drafting of Charter	Within 18 months of election, charter board must prepare and submit proposed charter to president of board of county commissioners (or Mayor of Baltimore City).	Within 18 months of appointment, or 18 months after an election if an election is held, charter board must prepare and submit proposed charter to board of county commissioners.
Publication of Proposed Charter	Within 30 days of receipt, proposed charter must be published in at least two newspapers of general circulation in the jurisdiction.	Within 30 days of receipt, proposed charter must be published at least twice in one or more newspapers of general circulation in the jurisdiction.
Election on Proposed Charter	Next general or congressional election.	Special or regular election held no sooner than 30 days or more than 90 days after publication.
Result of Election	If majority favors adoption of charter, charter effective on the thirtieth day from the date of election. If majority rejects adoption of charter, process ends.	If majority favors adoption of charter, charter effective on the thirtieth day after date of election or later date specified in charter. If majority rejects adoption of charter, process ends.

Source: Department of Legislative Services

County Charter

The charter of a county is often likened to a constitution. It establishes a framework for county government, subject to the constitution and public general laws of the State. Although county charters vary, they generally cover legislative and executive functions and the structure and organization of government, including the establishment of county offices, departments, and boards. County fiscal, personnel, purchasing, and ethics matters are often addressed. In some counties, the charter limits the level of county debt and taxes.

Although the charter may prescribe certain limits affecting the operation of county government, the voters may not abate the constitutionally prescribed role of the council through provisions of the charter. For example, a charter may authorize the citizens of a county to petition a legislative enactment of the council to referendum, similar to the constitutional right of the citizens of the State to petition certain legislation passed by the General Assembly to referendum. But a charter may not grant the citizens of the county the power of initiative. The power of initiative is inconsistent with the constitutionally prescribed role of the council under Article XI-A, Sections 2 and 3 of the Maryland Constitution. Moreover, the voters may not legislate through the charter amendment process. For example, in *Save Our Streets v. Mitchell*, 357 Md. 237, 743 A. 2d 748 (2000), the Court of Appeals invalidated efforts by citizens in Montgomery and Harford counties to address certain matters through proposed charter amendments. The proposal put forth in Montgomery County would have allowed the voters to ban speed bumps on residential streets. The proposal put forth in Harford County would have allowed voters to decide whether to ban new development for a year. However, in *Atkinson v. Anne Arundel County*, 428 Md. 723, 53 A.3d 1184 (2012), the Court of Appeals upheld a 2002 charter amendment regarding collective bargaining because it “left all of the detail of implementation to the [County] Council for the exercise of its Art. XI-A, § 3 law-making power ...” and the charter provision “did not unconstitutionally preclude the exercise of the County Council’s law-making discretion.”

While a county charter is similar to a constitution, there are some noteworthy differences. For example, unlike the Maryland Constitution under which constitutional amendments may be proposed only by the General Assembly, amendments to county charters may be proposed either by the mayor and city council of Baltimore City or a county council, or by the voters themselves. Article XI-A, Section 5 of the Maryland Constitution addresses the charter amendment process. Basically, a charter amendment may be proposed by resolution of the council or by a petition that is signed by at least 20% of the registered voters or by 10,000 registered voters, whichever is less, and filed with the council. The proposed amendment is published in local newspapers and submitted for consideration by the voters at the next general or congressional election. If the voters approve the proposed amendment, the amendment becomes part of the charter on the thirtieth day after the election.

Constitutional Authority

Article XI-A of the Maryland Constitution specifies the authority of charter counties as outlined below:

- Section 1 allows the voters of each county, as well as Baltimore City, to adopt a charter form of government under which a locally elected council is authorized to legislate on local matters, to the extent authorized by a grant of express powers from the General Assembly.
- Section 1A sets forth alternative procedures for the adoption of charter home rule.
- Section 2 mandates that the General Assembly provide a grant of express powers to charter counties by public general law. The right to alter the express powers is reserved to the General Assembly.
- Section 3 requires that a county charter provide for an elective legislative body known as the county council, or in the case of Baltimore City, a city council, and allows for the election of an executive. It also vests legislative authority in the council, subject to certain limitations.
- Section 3A provides options with which a charter may provide for the election of council members.
- Section 4 restricts the General Assembly from adopting a public local law for a charter county on any matter covered by the Express Powers Act.
- Section 5 prescribes the manner in which a charter may be amended.
- Section 6 transfers from the General Assembly to the voters powers relating to the number, compensation, and powers and duties of the county governing body. However, such powers must be exercised through the charter and may not exceed powers granted to charter counties by the General Assembly.
- Section 7 addresses petition requirements for purposes of the charter home rule amendment of the Constitution.

Statutory Powers

Except as it relates to the adoption of charter home rule, the Maryland Constitution does not actually grant authority to charter counties. Instead, Article XI-A, Section 2 of the

constitution requires the General Assembly to provide by public general law a grant of express powers for those counties that adopt charter home rule. The General Assembly has granted the express powers with the adoption of the “Express Powers Act” (Title 10 of the Local Government Article).

Section 10-102(a) of the Local Government Article provides that “[i]n addition to other powers granted to charter counties, each charter county may exercise by legislative enactment the express powers provided in Subtitles 2 and 3 of this title.” Subject to the constitution and the public general laws of the State, a county council may enact local laws for the county on any matter covered under the Express Powers Act. The county council may also amend or repeal a local law adopted by the General Assembly before the adoption of home rule as long as the scope of the law is within the Express Powers Act. Although a detailed treatment of the Express Powers Act is not provided here, it is worth mentioning some specific provisions as illustrative of a charter county’s authority. A charter county may establish civil fines and criminal fines and penalties up to a certain statutory cap. A charter county may incur general obligation debt up to a certain statutory cap and subject to the possibility of a petition to referendum. A charter county also may establish special taxing districts for any of the purposes enumerated in Title 10 of the Local Government Article. Additionally, a charter county exercises zoning authority under the Express Powers Act rather than the Land Use Article.

An important enumerated power of charter counties is the general welfare clause under Section 10-206(a) of the Local Government Article:

A county council may pass any ordinance, resolution, or bylaw not inconsistent with State law that:

- (1) may aid in executing and enforcing any power in this title; or
- (2) may aid in maintaining the peace, good government, health, and welfare of the county.

This provision, describing the so-called “police powers,” allows charter counties to enact local laws for the public good as long as the local laws are not preempted by or in conflict with the public general law of the State. In interpreting this provision, the Court of Appeals has stated that, “[g]ratification would not be afforded the purposes of home rule or the reasons which prompted it if the language of [Section 10-206(a) of the Local Government Article] were not to be construed as a broad grant of power to legislate on matters not specifically enumerated in [Title 10]” (*Montgomery Citizens League v. Greenhalgh*, 253 Md. 151, 160–161 (1969)).

Although charter counties have broad home rule authority, such authority is not unlimited. The Express Powers Act does not grant charter counties general taxing authority, although some charter counties have received limited taxing authority under other laws. Moreover, charter counties may not legislate in areas that would not be considered “local law.” For example, in *McCrorry Corporation v. Fowler*, 319 Md. 12, 570 A. 2d 834 (1990), the Court of Appeals rejected an effort by a charter county to establish what was viewed as a new private judicial cause of action, a right reserved to the General Assembly or Court of Appeals. For matters outside the Express Powers Act, charter counties are required to seek authority from the General Assembly.

Structure and Election of County Officers

Nine of the 11 charter counties have an elected county executive and county council structure; consequently, there is a separation of executive and legislative powers similar to that found in State government. Dorchester and Talbot counties use a council-manager form of government. Although significant responsibility for executive functions may be vested in the county administrator or manager, the individual in that position is appointed by and ultimately responsible to the county council.

Article XI-A, Section 3A of the Maryland Constitution provides alternatives by which council members may be elected. Council members may be elected by councilmanic districts, at-large, or a combination of these methods. Further, Section 9-204(b) of the Local Government Article provides that a charter may require council members to reside within specified districts but be elected by voters throughout the county. Under specified provisions of Article XVII of the Maryland Constitution (which apply to all counties except Cecil County since 2000), all council members and any elected executives serve four-year terms and are elected at the same time that the Governor and members of the General Assembly are elected. In Cecil County, council members and the county executive are elected to four-year terms; however, two council members and the county executive are elected in presidential election years and three council members are elected in gubernatorial election years. In 1996, the constitution was amended to allow council vacancies to be filled by special election as authorized by the General Assembly. Similar changes were made to the constitution in 2014 to authorize filling vacancies in the office of the county executive or chief executive officer by special election. Within these limits, and limits contained in the federal constitution, the voters in a charter county have considerable discretion in shaping the structure of their county government through the charter. Exhibit 3.2 shows the structure and election system for each charter county.

Baltimore City

Baltimore City is unique among Maryland’s local governments. While the city is a municipality, it is treated as a county for most purposes under State law because it derives its home rule powers under Article XI-A of the Maryland Constitution, the first article under which the city and counties were given the opportunity to exercise home rule, rather than Article XI-E of the Maryland Constitution, which grants home rule to the rest of the municipalities in the State. Moreover, Section 1-107 of the General Provisions Article provides that, for purposes of the Annotated Code of Maryland, the word “county” means a county of the State or Baltimore City. In addition, as defined in Section 1-101 of the Local Government Article, for that article, “municipality” means a municipality organized under Article XI-E of the Maryland Constitution and does not include Baltimore City.

Originally, Baltimore City was established as a municipality within the confines of Baltimore County. The government performed exclusively municipal functions. In 1851, Baltimore City was separated from Baltimore County and has since functioned as an independent unit. The Baltimore City Charter enumerates the powers of the city and defines its administrative and organizational structure. Unlike the charter counties, the express powers granted to the city by the General Assembly are codified in Article II of the Baltimore City Charter rather than in the Local Government Article. The voters of Baltimore City may not alter this particular article of the charter; revisions to the city’s express powers can be made only by the General Assembly. In addition, the procedure for issuance of general obligation debt in Baltimore City was established in the constitution and can be changed only through constitutional amendment.

The Baltimore City Charter sets forth the structure of the city government. The Mayor and City Council of Baltimore govern jointly. They share general powers to address health, safety, and welfare issues. Baltimore City has three officials who are elected citywide: the mayor; the comptroller; and the president of the city council. These officials, along with the city solicitor and director of public works, sit as the Board of Estimates. This board creates the annual city budget, awards contracts, supervises procurement, and establishes salaries and working conditions for city employees. In 2004, the city charter was amended to reduce the number of council members to 15, including the president of the city council. The other 14 members are elected by single-member districts.

Unlike the election year cycle for the governor, most other State officers, and most county officers as required under Article XVII of the Maryland Constitution, Baltimore’s elections are not bound by Article XVII. For a number of decades in the twentieth century, the city’s elections had generally been held, in accordance with former provisions in the city charter, in the years after each election of the governor. After various changes to the years for the city’s primary and general elections in the early 2000s and the very low turnout in the city’s 2011 elections, the General Assembly revised State election law in

2012 (Chapters 548 and 549) to change the dates of the city's primary and general elections to coincide with presidential elections beginning in 2016.

Code Counties

Adoption of Code Home Rule

In comparison to the procedures for adopting charter home rule, adoption of code home rule is relatively simple. This procedure is governed by Article XI-F, Section 2 of the Maryland Constitution as supplemented by Sections 9-303 through 9-306 of the Local Government Article. This process is outlined in Exhibit 3.4. Basically, a board of county commissioners initiates and votes, after public notice and hearings, on a resolution to adopt code home rule; if the board passes the resolution, the question is put to the voters for their approval or rejection at the next general election. There is no drafting of a charter or need to reorganize the county government. Exhibit 3.1 lists the six counties that have adopted code home rule and the year in which local home rule became effective.

Constitutional and Statutory Authority

Unlike a charter county, a code county's legislative authority is derived from two sources: (1) the General Assembly, primarily under Title 9, Subtitle 3 and Title 10 of the Local Government Article; and (2) Article XI-F of the Maryland Constitution. The following specifies the authority of code counties under Article XI-F of the Maryland Constitution:

- Section 1 of the constitution defines "code county" and "public local law" for purposes of the article.
- Section 2 describes how code home rule is adopted, a process elaborated on by the General Assembly in Title 9, Subtitle 3 of the Local Government Article.
- Section 3 grants a code county authority to enact, amend, or repeal a public local law of the county, except as otherwise provided in Article XI-F.

Exhibit 3.4
Adoption of Code Home Rule under Article XI-F of the
Maryland Constitution and Sections 9-304 through 9-306 of the
Local Government Article

Initiation of Process: Authority	Article XI-F, Section 2 of the Maryland Constitution and Section 9-303 of the Local Government Article, give the board of county commissioners authority to propose code home rule by resolution of a two-thirds majority of the board.
Notice of Proposed Resolution	Under Section 9-304(a) of the Local Government Article, the board must publish notice containing the dates, times, and places of public hearings concerning adoption of code home rule. The notice must be published at least three times, and not more than 30 days before the first hearing, in at least one newspaper of general circulation in the county.
Public Hearings on Proposed Resolution	Under Section 9-304(a) of the Local Government Article, the board must hold at least two public hearings on the question of code home rule.
Adoption of Resolution	Under Section 9-305 of the Local Government Article, within 60 days after the last public hearing, the board must adopt or reject the proposed resolution. Adoption requires a two-thirds majority of the board.
Referendum	Under Article XI-F, Section 2 of the Maryland Constitution and Section 9-306 of the Local Government Article, following adoption by the board, the resolution must be submitted to voters at the next general election, provided charter home rule is not on the ballot. Ballot allows voters to choose “For Adoption of Code Home Rule” or “Against Adoption of Code Home Rule.”
Consideration of Charter Home Rule: Effect on Process	Under Article XI-F, Section 2 of the Maryland Constitution, if a proposed charter under Article XI-A of the Maryland Constitution is to be on the ballot, only the proposed charter will be submitted to voters. If the charter is adopted, the code resolution has no effect. If the proposed charter is rejected, the proposed code resolution must be submitted to voters at the next general election.
Result of Election	Under Section 9-306(c) of the Local Government Article, within 10 days after receiving certification of election results, the board must proclaim the results. If a majority favors adoption of the proposed resolution, the county becomes a code home rule county on the thirtieth day after the proclamation of the election results. If a majority rejects adoption of the proposed resolution, the process ends.

Source: Department of Legislative Services

- Section 4 restricts the General Assembly from passing legislation for individual code counties.
- Section 5 requires the General Assembly to classify code counties into not more than four classes based on population or other criteria determined by the General Assembly to be appropriate. In 1997, the General Assembly classified the code counties for the first time, dividing the State into four geographic regions, or classes, as identified in Section 9-302 of the Local Government Article.
- Section 6 describes how a code county may enact, amend, or repeal public local laws and authorizes the General Assembly to amplify the provisions by public general law. The General Assembly has passed legislation concerning code county legislative procedures; these provisions are found in Sections 9-309 through 9-313 of the Local Government Article.
- Section 7 reserves to the voters the right to petition public local laws enacted by the county commissioners of a code county to referendum.
- Section 8 allows the General Assembly to pass local laws applicable to individual code counties for purposes of restricting property tax rates and county debt.
- Section 9 restricts the ability of a code county to impose “any type of tax, license fee, franchise tax, or fee” unless authorized prior to adoption of home rule or, if authorized by the General Assembly for all code counties within a given class, following adoption of home rule.
- Section 10 provides that laws in effect at the time home rule is adopted continue in effect until altered under the provisions of the constitution.

As noted above, Article XI-F, Section 3 of the constitution authorizes code counties to enact public local laws. “Public local law” is defined in the constitution for purposes of Article XI-F, in part, as “a law applicable to the incorporation, organization, or government of a code county and contained in the county’s code of public local laws” Interestingly, this definition of “public local law” does not include the term “affairs,” which is included in a very similar provision for municipalities under Article XI-E, Section 1 of the Maryland Constitution. Whether the term “affairs” was viewed as surplusage when this provision was drafted or whether the term was excluded to limit the breadth of code counties’ authority is open to interpretation. Moreover, the definition would seem to suggest that the codification of law is determinative. As discussed further in Chapter 5, in an in-depth analysis of Article XI-F, the Office of the Attorney General has determined

that a code county's authority nonetheless should be broadly construed. However, this view may be inconsistent with the view of those who see code home rule as an intermediate step short of charter home rule.

In terms of statutory authority, the primary source is Title 10 of the Local Government Article, the Express Powers Act. Section 10-102(b) of the Local Government Article provides that, in addition to other powers granted to code counties, a code county may exercise by legislative enactment the express powers provided in Title 10, Subtitle 3 of the Local Government Article. The grant of express powers under Title 10, Subtitle 3 applies to both charter and code counties and covers a broad range of local matters such as procurement, special taxing districts, streets, nuisances, and zoning and planning. Additionally, although not contained in the Express Powers Act, Section 9-308 of the Local Government Article grants code counties the power to pass legislation in accordance with the provisions set forth in Sections 9-309 through 9-313 of the article. Similarly, Section 19-503 of the Local Government Article grants code counties the power to borrow money and issue bonds. However, the lack of a statutory provision comparable to the provision granting "police powers" to charter counties is yet another source of much debate over the scope of authority that a code county may exercise.

Structure and Election of County Officers

When a commission county adopts code home rule, it retains a board of county commissioners as its governing body. The board exercises both legislative and executive authority. Although a code county may delegate significant authority to a county administrator or other personnel, ultimate authority remains with the county commissioners. Because the number of commissioners and method of election are controlled by public local law, the county commissioners may alter the composition of the board, subject to applicable restrictions of the Maryland Constitution. The current structure in place in each code county is summarized in Exhibit 3.2. Under Article XVII of the constitution, the county commissioners in all code counties serve four-year terms and are elected at the same time as the Governor and members of the General Assembly.

Chapter 4. Municipal Government

There are 156 municipalities with home rule powers under Article XI-E of the Maryland Constitution. While Baltimore City is a municipality, it is usually grouped with the charter home rule counties for legal and legislative purposes because it receives its home rule authority under Article XI-A of the constitution.

Despite a common foundation under Article XI-E of the Maryland Constitution, there is a great variety in the size, structure, budget, and services of municipalities. With limited exceptions, the authority granted to municipalities under the constitution and public general laws is uniform throughout the State. However, the extent that such authority is exercised within an individual municipality is a decision of the voters by adoption or amendment of the municipal charter and, within the confines of the charter, a decision of the elected governing body by adoption of local laws. This chapter reviews the development and powers of municipalities.

Historical Development

From the 1600s to the mid-1950s, the General Assembly closely supervised the creation and operation of municipalities in the State through the enactment of public local laws. Of the 156 municipalities still in existence, all but 5 were created by the General Assembly before municipalities were granted home rule authority in 1954. Exhibit 4.1 shows the time periods in which municipalities were established.

Exhibit 4.1
Establishment of Maryland Municipalities

<u>Time Period</u>	<u>Number</u>	<u>% of Total</u>
1700s	6	3.8%
1800s	90	57.7%
1900-1953	55	35.3%
1954-Present	5	3.2%
Total	156	100.0%

Source: Department of Legislative Services

The oldest municipality still in existence is Annapolis, in Anne Arundel County, created by Chapter 7 of 1708. Only 5 other municipalities still in existence were created in the eighteenth century – Havre de Grace (Harford County – 1785), Charlestown (Cecil County – 1786), Easton (Talbot County – 1790), Cambridge (Dorchester County – 1793), and Centreville (Queen Anne’s County – 1794). The State created 90 of the municipalities still in existence from 1800 to 1899, and 55 of the municipalities still in existence from 1900 to 1954. The last 3 municipalities created by the General Assembly prior to the ratification of municipal home rule authority were Brookview (Dorchester County), New Carrollton (Prince George’s County), and Queen Anne (Queen Anne’s and Talbot counties), all established in 1953.

After 1954, the General Assembly’s involvement in local municipal affairs diminished significantly with the ratification of Article XI-E of the Maryland Constitution, which provides for municipal home rule. Since ratification of the Municipal Home Rule Amendment, there have been only five new municipal incorporations. All these municipalities are located in Montgomery County, and all were originally created by the State as special taxing districts: Village of Chevy Chase, Section 3 (1982); Village of Chevy Chase, Section 5 (1982); Village of Martin’s Additions (1985); Town of Chevy Chase View (1993); and Village of North Chevy Chase (1996). While the particular reasons and histories vary, the common theme in pursuing and achieving municipal status is the desire to exercise home rule powers under Article XI-E of the Maryland Constitution. Rather than by action of the General Assembly, these new municipalities were created by the successful referendum of the voters in each of the former special taxing districts in accordance with the provisions of Title 4, Subtitle 2 of the Local Government Article.

Despite the overall growth in the total number of municipalities throughout Maryland’s history, it is important to note that over the years several municipalities have formally dissolved. For example, the municipal charter of Piscataway, in Prince George’s County, was proclaimed repealed by operation of law by the Secretary of State in 1964 under provisions of law currently found in Section 4-314 of the Local Government Article. Other formerly incorporated municipalities include St. Mary’s City in St. Mary’s County and Arundel on the Bay in Anne Arundel County.

Exhibit 4.2 lists the authority by which today’s 156 municipalities were created within each county.

Exhibit 4.2
Incorporated Cities and Towns

<u>County</u>	<u>Year</u>	<u>Chapter/ Referendum</u>	<u>County</u>	<u>Year</u>	<u>Chapter/ Referendum</u>
Allegany			Carroll		
Barton	1900	Ch. 729	Hampstead	1888	Ch. 295
Cumberland	1815	Ch. 136	Manchester	1833	Ch. 193
Frostburg	1839	Ch. 179	Mount Airy	1894	Ch. 91
Lonaconing	1890	Ch. 132	(also in Frederick)		
Luke	1922	Ch. 73	New Windsor	1843	Ch. 47
Midland	1900	Ch. 681	Sykesville	1904	Ch. 256
Westernport	1858	Ch. 54	Taneytown	1836	Ch. 309
			Union Bridge	1872	Ch. 174
Anne Arundel			Westminster	1818	Ch. 128
Annapolis	1708	Ch. 7			
Highland Beach	1922	Ch. 213	Cecil		
Baltimore			Cecilton	1864	Ch. 353
None			Charlestown	1786	Ch. 32
			Chesapeake City	1849	Ch. 271
Calvert			Elkton	1821	Ch. 143
Chesapeake Beach	1886	Ch. 203	North East	1849	Ch. 339
North Beach	1910	Ch. 395	Perryville	1882	Ch. 212
			Port Deposit	1824	Ch. 33
Caroline			Rising Sun	1860	Ch. 383
Denton	1802	Ch. 25			
Federalsburg	1823	Ch. 174	Charles		
Goldsboro	1906	Ch. 87	Indian Head	1920	Ch. 590
Greensboro	1826	Ch. 97	La Plata	1888	Ch. 325
Henderson	1949	Ch. 498	Port Tobacco	1888	Ch. 297
Hillsboro	1853	Ch. 161			
Marydel	1929	Ch. 38			
Preston	1892	Ch. 689			
Ridgely	1896	Ch. 178			
Templeville	1865	Ch. 86			
(also in Queen Anne's)					

<u>County</u>	<u>Year</u>	<u>Chapter/ Referendum</u>	<u>County</u>	<u>Year</u>	<u>Chapter/ Referendum</u>
Dorchester			Howard		
Brookview	1953	Ch. 704	None		
Cambridge	1793	Ch. 66			
Church Creek	1867	Ch. 53	Kent		
East New Market	1832	Ch. 167	Betterton	1906	Ch. 227
Eldorado	1947	Ch. 313	Chestertown	1805	Ch. 101
Galestown	1951	Ch. 92	Galena	1858	Ch. 373
Hurlock	1892	Ch. 249	Millington	1890	Ch. 386
Secretary	1900	Ch. 555	(also in Queen Anne's)		
Vienna	1833	Ch. 216	Rock Hall	1908	Ch. 171
Frederick			Montgomery		
Brunswick	1890	Ch. 577	Barnesville	1888	Ch. 254
Burkittsville	1894	Ch. 652	Brookeville	1808	Ch. 90
Emmitsburg	1824	Ch. 29	Chevy Chase	1918	Ch. 177
Frederick	1816	Ch. 74	Chevy Chase, Sec. 3	1982	Referendum
Middletown	1833	Ch. 143	Chevy Chase, Sec. 5	1982	Referendum
Mount Airy (also in Carroll)	1894	Ch. 91	Chevy Chase View	1993	Referendum
Myersville	1904	Ch. 94	Chevy Chase Village	1910	Ch. 382
New Market	1878	Ch. 90	Gaithersburg	1878	Ch. 397
Rosemont	1953	Ch. 262	Garrett Park	1898	Ch. 453
Thurmont	1894	Ch. 16	Glen Echo	1904	Ch. 436
Walkersville	1892	Ch. 351	Kensington	1894	Ch. 621
Woodsboro	1836	Ch. 299	Laytonsville	1892	Ch. 497
Garrett			Martin's Additions	1985	Referendum
Accident	1916	Ch. 514	North Chevy Chase	1996	Referendum
Deer Park	1884	Ch. 519	Poolesville	1867	Ch. 174
Friendsville	1902	Ch. 477	Rockville	1860	Ch. 373
Grantsville	1864	Ch. 99	Somerset	1906	Ch. 795
Kitzmilller	1906	Ch. 285	Takoma Park	1890	Ch. 480
Loch Lynn Heights	1896	Ch. 450	Washington Grove	1937	Ch. 372
Mountain Lake Park	1931	Ch. 507			
Oakland	1862	Ch. 250			
Harford					
Aberdeen	1892	Ch. 136			
Bel Air	1874	Ch. 273			
Havre de Grace	1785	Ch. 55			

<u>County</u>	<u>Year</u>	<u>Chapter/ Referendum</u>	<u>County</u>	<u>Year</u>	<u>Chapter/ Referendum</u>
Prince George's			St. Mary's		
Berwyn Heights	1896	Ch. 267	Leonardtwn	1858	Ch. 73
Bladensburg	1854	Ch. 137	Somerset		
Bowie	1882	Ch. 488	Crisfield	1872	Ch. 151
Brentwood	1912	Ch. 401	Princess Anne	1867	Ch. 183
Capitol Heights	1910	Ch. 513	Talbot		
Cheverly	1931	Ch. 200	Easton	1790	Ch. 14
College Park	1945	Ch. 1051	Oxford	1852	Ch. 367
Colmar Manor	1927	Ch. 178	Queen Anne		
Cottage City	1924	Ch. 390	(also in Queen Anne's)	1953	Ch. 17
District Heights	1936	Ch. 61	St. Michaels	1804	Ch. 82
Eagle Harbor	1929	Ch. 397	Trappe	1827	Ch. 103
Edmonston	1924	Ch. 154	Washington		
Fairmount Heights	1935	Ch. 199	Boonsboro	1831	Ch. 139
Forest Heights	1949	Ch. 142	Clear Spring	1836	Ch. 141
Glenarden	1939	Ch. 650	Funkstown	1840	Ch. 78
Greenbelt	1937	Ch. 532	Hagerstown	1813	Ch. 121
Hyattsville	1886	Ch. 424	Hancock	1853	Ch. 319
Landover Hills	1945	Ch. 465	Keedysville	1872	Ch. 251
Laurel	1870	Ch. 260	Sharpsburg	1832	Ch. 28
Morningside	1949	Ch. 589	Smithsburg	1841	Ch. 284
Mount Rainier	1910	Ch. 514	Williamsport	1823	Ch. 125
New Carrollton	1953	Ch. 441	Wicomico		
North Brentwood	1924	Ch. 508	Delmar	1888	Ch. 167
Riverdale Park	1920	Ch. 731	Fruitland	1947	Ch. 662
Seat Pleasant	1931	Ch. 197	Hebron	1931	Ch. 90
University Park	1936	Ch. 132	Mardela Springs	1906	Ch. 325
Upper Marlboro	1870	Ch. 363	Pittsville	1906	Ch. 499
Queen Anne's			Salisbury	1854	Ch. 287
Barclay	1931	Ch. 483	Sharptown	1874	Ch. 465
Centreville	1794	Ch. 23	Willards	1906	Ch. 195
Church Hill	1876	Ch. 201	Worcester		
Millington (also in Kent)	1890	Ch. 386	Berlin	1868	Ch. 424
Queen Anne	1953	Ch. 17	Ocean City	1880	Ch. 209
(also in Talbot)			Pocomoke City	1878	Ch. 253
Queenstown	1892	Ch. 542	Snow Hill	1812	Ch. 72
Sudlersville	1870	Ch. 313			
Templeville	1865	Ch. 86			
(also in Caroline)					

Source: Maryland State Archives; Department of Legislative Services

Constitutional Home Rule

Prior to 1954, the General Assembly closely supervised the creation and operation of municipalities by enacting individually drafted charters and any amendments to the charters. However, the General Assembly shifted the balance of municipal power to the municipalities themselves with the adoption of Chapter 53 of 1954, proposing a constitutional amendment. Upon ratification by the voters on November 2, 1954, Article XI-E, known as the “Municipal Home Rule Amendment,” was added to the Maryland Constitution. The general purpose of Article XI-E is to permit municipalities to govern themselves in local matters. The courts have interpreted this amendment as a strong and explicit intention that the General Assembly only address the charters of the municipalities on a general basis and not pass local legislation to amend the charters of individual municipalities.

Article XI-E of the Maryland Constitution establishes certain provisions relating to municipalities as outlined below:

- Section 1, except as otherwise provided, establishes that the General Assembly may only legislate on matters relating to the incorporation, organization, government, or affairs of municipalities by general laws which apply “alike to all municipal corporations in one or more of the classes provided for in Section 2 of this Article.”
- Section 2 requires the General Assembly to divide municipalities into not more than four classes based on population. To date, the General Assembly has chosen to provide for just one class, as stated in § 4-102 of the Local Government Article, which contains all of the municipalities.
- Section 3 grants each municipality authority to adopt a new charter or to amend or repeal its municipal charter or local laws relating to the incorporation, organization, government, or affairs of the municipality.
- Section 4 addresses the manner in which a municipal charter may be amended and requires the General Assembly to amplify its provisions by general law. Statutory provisions governing municipal charter amendments are codified in Title 4, Subtitle 3 of the Local Government Article.
- Section 5 grants the General Assembly authority to set maximum property tax rates and to limit the amount of debt that a municipality may incur. However, a tax or debt limit may not take effect until approved by the voters of the municipality at a regular or special election.

- Section 5 also prohibits a municipality from levying “any type of tax, license fee, franchise tax or fee” that was not in effect on January 1, 1954, unless authorized by the General Assembly by general law.
- Section 6 addresses the relationship between municipal charters and other law.

Incorporation Process

Title 4, Subtitle 2 of the Local Government Article prescribes the manner in which a new municipality may be incorporated under Article XI-E of the Maryland Constitution. In order to incorporate, a community must consist of a minimum of 300 residents in the area proposed for incorporation. A petition to incorporate must be submitted to the county in which the area proposed for incorporation is located. A standardized petition form developed by the Office of the Attorney General is available for communities seeking incorporation through each county’s local board of elections. If the community’s petition satisfies statutory requirements, the county must appoint a liaison to work with the community’s organizing committee. What follows is an exchange of information, development of a proposed charter, and exchange of comments between the county and the organizing committee. Next, the county may schedule a referendum on the matter of incorporation or reject a proposed incorporation. However, if a county rejects a referendum request, the county must provide in writing the reasons for the rejection and establish reasonable procedures for reconsideration of its rejection, including an opportunity for a public hearing. The county may then schedule a referendum on incorporation or affirm its earlier rejection.

If the incorporation effort advances to referendum and the voters of the community approve incorporation, the county must proclaim the results within 10 days after receiving certification from the county board of elections. Subject to certain required statutory procedures, the incorporation takes effect 30 days following the proclamation.

Governmental Structure

Neither the Maryland Constitution nor the Annotated Code of Maryland prescribes any form of government for municipalities. Section 1-101 of the Local Government Article merely states that “‘municipality’ means a municipality that is organized under Article XI-E of the Maryland Constitution.” Given these broad guidelines, the forms of government that the municipalities have developed over time can be grouped into three basic categories: (1) commission; (2) mayor-council; and (3) council-manager. Within each category, there are variations in the qualifications, number, terms, and duties of municipal officials. Titles of municipal officials also vary; for example, in some municipalities, such as the Town of Middletown, the title “burgess” is used.

According to the Maryland Municipal League, approximately 70% of municipalities utilize the mayor-council form of government. In this form of government, the mayor and council share the legislative power, and the mayor exercises the executive power. Some mayors are “stronger” than others, meaning that they have veto power over legislative actions of the council; others share power as a member of the council.

Of the other forms, approximately 20% have commissions and approximately 10% use the council-manager structure. In the commission form of government, the commissioners share the legislative power, and the executive powers are generally divided among the different commissioners. In the council-manager form of government, the council appoints a municipal manager who is the chief executive officer of the municipality.

The governing bodies of municipalities can appoint managers or administrators to help implement the policies developed by elected officials. Municipal managers may also provide the corporate memory and attention to details that policy-oriented and often transient elected officials frequently cannot offer. According to the Maryland Municipal League, 103 municipalities have full-time, professional managers or administrators, and 9 municipalities have part-time, circuit-rider administrators. In the remaining 44 municipalities, the day-to-day administrative operations are conducted by the elected officials, typically the mayor, or other municipal employees.

Election of Local Officials

Because municipalities are not subject to Article XVII of the Maryland Constitution (Quadrennial Elections), they have considerable discretion as to the manner in which local officials are elected. Local election procedures are outlined in the charters of the municipalities. Municipal charters establish the terms of office and dates of elections. Often, the terms of office for municipal officials are staggered.

State laws governing elections generally do not apply to municipal elections. However, two State laws dealing with municipal elections are noteworthy. Title 3, Subtitle 4 of the Election Law Article provides generally for the universal registration of voters in municipal elections, so that the list of individuals eligible to vote in a municipal election includes those residents of the municipality who are registered to vote with the local elections board for the county in which an individual’s residence is located. In addition, § 4-108 of the Local Government Article requires municipalities to allow voting in municipal elections by absentee ballot. In practice, municipalities may, and frequently do, rely on county election boards to administer municipal elections. Overall, the flexibility that municipalities possess in election matters contributes to the autonomy of Maryland’s municipalities.

Powers of Municipalities

Article XI-E of the Maryland Constitution grants a municipality authority to amend or repeal its charter or local laws relating to the incorporation, organization, government, or affairs of the municipality and authority to adopt a new charter. Procedures governing charter amendments are found in Title 4, Subtitle 3 of the Local Government Article.

The General Assembly has codified many of the powers of a municipal government in Title 5, Subtitle 2 of the Local Government Article. Of particular significance, Section 5-202 provides a broad grant of authority for the legislative body of a municipality to adopt ordinances to:

- (1) assure the good government of the municipality;
- (2) protect and preserve the municipality's rights, property, and privileges;
- (3) preserve peace and good order;
- (4) secure persons and property from danger and destruction; and
- (5) protect the health, comfort, and convenience of the residents of the municipality.

Three other specific powers deserve particular mention: (1) amendments to municipal charters; (2) annexation of property; and (3) urban renewal powers for slum clearance.

Charter Amendments

As noted above, Article XI-E of the Maryland Constitution grants authority for the amendment of municipal charters, and the General Assembly has established specific procedures. A charter amendment may be initiated either by resolution of the legislative body of a municipality or by a petition signed by at least 20% of the qualified voters of the municipality. A proposed charter amendment must contain only a single subject. The law prescribes detailed procedural requirements pertaining to proposed charter amendments, including notice and publication requirements. An amendment proposed by the legislative body may be petitioned to referendum by 20% of the qualified voters. Otherwise, it may be adopted as proposed by majority vote of the legislative body. A charter amendment

proposed by petition may be either adopted by resolution of the legislative body or submitted to referendum.

If a charter amendment is petitioned or submitted to referendum, the election may be held at the next regular municipal election or at a special election held within a statutorily prescribed timeframe. Within 10 days following an election, the mayor or chief executive officer of the municipality is required to proclaim the results. The law prescribes the time that a proposed charter amendment normally takes effect, subject to certain procedural requirements under the Local Government Article.

Annexations

As part of its home rule powers, a municipality may annex contiguous, unincorporated property in accordance with the provisions of Title 4, Subtitle 4 of the Local Government Article. An annexation may be initiated by the municipal legislative body or by petition of the residents of the area seeking annexation. The legislative body must satisfy public notice and hearing requirements on the resolution to incorporate. In addition, the governing body of a municipality must develop an annexation plan as part of a proposed annexation. The annexation plan must be consistent with the municipal growth element contained in the municipality's comprehensive plan that is developed in consultation with the county in which the municipal corporation is located. The annexation resolution becomes effective at least 45 days after the favorable vote by the legislative body, provided that the resolution is not petitioned to a referendum by the residents of the area seeking annexation, by the municipal residents, or by the county governing body. Following annexation, § 4-416 of the Local Government Article restricts substantial changes by the municipality in the use or density for the zoning classification applicable at the time of the annexation without the consent of the county for five years following the annexation.

Urban Renewal Powers for Slum Clearance

Notwithstanding the broad grant of municipal home rule authority under the constitution and Title 5 of the Local Government Article, and the general condemnation power under § 5-204(c) of the Local Government Article in particular, a municipality must receive express authority from the General Assembly in order to exercise urban renewal powers for slum clearance. This power is authorized under Article III, Section 61 of the Maryland Constitution, the Urban Renewal Amendment. This provision allows the General Assembly to authorize a municipality (or a county) to carry out urban renewal projects and to condemn property for this purpose. To date, 70 out of Maryland's 156 municipalities have been granted urban renewal authority under this provision of the constitution. Once granted this authority, a municipality may exercise the power to condemn individual blighted properties under § 5-215 of the Local Government Article.

Exhibit 4.3 lists the municipalities that have been granted urban renewal powers for slum clearance by the General Assembly, as well as the chapter law and year when the authority was granted and, if applicable, amended.

Exhibit 4.3
Municipalities with Urban Renewal Powers for Slum Clearance

<u>Municipality</u>	<u>Year</u>	<u>Chapter</u>	<u>Municipality</u>	<u>Year</u>	<u>Chapter</u>
Aberdeen	1963	Ch. 72	Federalsburg	1975	Ch. 495
Annapolis	1961	Ch. 755		1976	Ch. 640 *
	1976	Ch. 843 *	Frederick	1961	Ch. 632
Bel Air	1963	Ch. 70	Frostburg	1961	Ch. 843
Berlin	1963	Ch. 101		1963	Ch. 152 *
Betterton	1976	Ch. 81		1965	Ch. 40 *
	1996	Ch. 40 **	Galena	1976	Ch. 410
Bladensburg	1998	Ch. 86	Galestown	2007	Ch. 216
Boonsboro	2005	Ch. 73	Glenarden	1963	Ch. 776
Bowie	1965	Ch. 904	Goldsboro	2002	Ch. 12
Brookview	2007	Ch. 215	Greensboro	2002	Ch. 13
Cambridge	1961	Ch. 618	Hagerstown	1961	Ch. 830
	1968	Ch. 194 *	Havre de Grace	1963	Ch. 71
	1969	Ch. 358 *	Henderson	2002	Ch. 11
Capitol Heights	1965	Ch. 903	Hillsboro	2002	Ch. 183
	2002	Ch. 234 **	Hurlock	2007	Ch. 279
Centreville	1963	Ch. 348	Hyattsville	1963	Ch. 783
Charlestown	2002	Ch. 147		1968	Ch. 415 *
Chestertown	1975	Ch. 380	Landover Hills	2002	Ch. 74
Cheverly	1996	Ch. 631	Laurel	1963	Ch. 775
College Park	1963	Ch. 777	Leonardtwn	1963	Ch. 593
Colmar Manor	1966	Ch. 624	Marydel	2002	Ch. 10
Cottage City	2002	Ch. 75	Millington	1976	Ch. 80
Crisfield	1963	Ch. 615	Morningside	1969	Ch. 729
Cumberland	1961	Ch. 758	Mount Rainier	1963	Ch. 781
Denton	1975	Ch. 494	North Beach	1978	Ch. 709
	1976	Ch. 641 *	Ocean City	1963	Ch. 103
District Heights	1999	Ch. 413	Oxford	1977	Ch. 28
Easton	1961	Ch. 844	Perryville	1978	Ch. 166
	1977	Ch. 29 *	Pocomoke City	1963	Ch. 102
Eldorado	2007	Ch. 278		1969	Ch. 328 *
Elkton	1961	Ch. 762	Port Deposit	1961	Ch. 760
Fairmount Heights	1965	Ch. 895	Preston	2002	Ch. 181
			Princess Anne	1963	Ch. 614

<u>Municipality</u>	<u>Year</u>	<u>Chapter</u>	<u>Municipality</u>	<u>Year</u>	<u>Chapter</u>
Queen Anne	1977	Ch. 25	Seat Pleasant	1968	Ch. 336
Ridgely	2002	Ch. 182		1969	Ch. 280 *
Riverdale Park	1968	Ch. 646	Snow Hill	1963	Ch. 172
Rock Hall	1976	Ch. 79	Sudlersville	2004	Ch. 400
Rockville	1961	Ch. 826	Takoma Park	1961	Ch. 827
	1963	Ch. 646 *		1963	Ch. 653 *
	1967	Ch. 700 *	Taneytown	1996	Ch. 36
	1975	Ch. 241 *	Trappe	1977	Ch. 26
St. Michaels	1977	Ch. 27	Westernport	1963	Ch. 147
	1986	Ch. 582 **	Westminster	1961	Ch. 342
Salisbury	1961	Ch. 842			

*Authority amended.

**Subsequent grant of authority.

Source: Department of Legislative Services

Limitations on Municipal Authority

While municipalities exercise broad home rule authority, the authority is not absolute. Under Article XI-E, Section 5 of the Maryland Constitution, the municipalities share concurrent jurisdiction with the General Assembly in regard to maximum limitations on property taxes and indebtedness. Section 5 also restricts a municipality from imposing “any tax, license fee, franchise tax or fee” unless it was in effect on January 1, 1954, or authorized by the General Assembly for all municipalities within a given class. Article XI-E, Section 6 of the constitution provides, in part, that “[a]ll charter provisions, or amendments thereto ... shall be subject to all applicable [public general] laws enacted by the General Assembly...”. Section 6 also expressly prohibits a municipality from regulating alcoholic beverage sales as well as sales on Sundays (blue laws) in its charter. Lastly, the governing body of a municipality may not legislate in areas that have been preempted by the State either by express preemption, preemption by conflict, or preemption by implication.

Codification of Municipal Charters

While municipalities have broad authority to amend their charters, the law requires municipalities to follow certain procedures. Under § 4-109 of the Local Government Article, municipalities must regularly mail charter amendment resolutions, as well as all annexation resolutions, to the Department of Legislative Services within 10 days of the effective date of the resolution. Generally, provided that a resolution is not petitioned to referendum, the effective date for a charter resolution is 50 days after enactment, and for

an annexation resolution, no earlier than 45 days after enactment (§§ 4-304(c) and 4-407 of the Local Government Article).

In accordance with Chapter 77 of 1983, and Sections 10 and 11 of Chapter 14 of 1997, the Department of Legislative Services publishes a compilation of all the municipal charters, *Public Local Laws of Maryland – Compilation of Municipal Charters*. This publication contains the official version of the charter for each municipality in the State and is updated annually to reflect the charter amendments that are passed by the legislative body of each municipality. The compilation also includes the urban renewal powers that have been granted by the General Assembly under Article III, Section 61 of the Constitution of Maryland. An appendix to the charter of each of these municipalities reflects the specific urban renewal powers of that municipality. The appendix may be amended or repealed only by the General Assembly.

Additionally, the Department of Legislative Services publishes each municipal charter on the General Assembly website, as well as copies of each municipal charter amendment and annexation resolution sent to the department since 2013.

Chapter 5. State and Local Relationships

As the State's legislature, the Maryland General Assembly inherently possesses full power to legislate for the entire State and for its political subdivisions, subject only to limitations imposed by the U.S. Constitution and the Maryland Constitution. By contrast, the State's counties and municipalities possess authority to legislate only in those areas authorized by the Maryland Constitution and the Maryland General Assembly. Furthermore, the authority of counties and municipalities is often limited by the decisions of the General Assembly to preempt entirely certain subject areas of statewide concern.

The General Assembly has a long history of passing legislation applicable to individual political subdivisions or exempting individual political subdivisions from legislation that otherwise applies throughout the State. Of the approximately 3,101 bills introduced during the 2018 session, approximately 11% dealt with one or more counties, not including State bond bills introduced to finance projects in individual counties. This illustrates that a significant volume of the General Assembly's work still involves local matters despite most local governments having home rule powers. Accordingly, questions frequently arise regarding the authority of the General Assembly to pass local legislation, and the answers may vary depending on the constitutional provisions governing the affected political subdivision. Conversely, on the local government level, questions frequently arise regarding the authority to legislate in a given subject area; again, the answers may vary based on the form of local government or the actions taken at the State level in the affected subject area.

This chapter attempts to answer some of the questions that arise regarding the interaction of Maryland's State and local governments. First, this chapter discusses the distinction between public general laws and public local laws and explains the manner in which the General Assembly traditionally handles local legislation. The chapter then proceeds to address the authority of the General Assembly to adopt local legislation affecting the powers of counties and municipalities. Finally, State preemption, conflicts between State and local law, and conflicts between county and municipal law are discussed.

Public General Laws and Public Local Laws

In reviewing the authority of the General Assembly to pass local legislation, the distinction between public general laws and public local laws is crucial. This distinction is clouded by the fact that a bill interpreted as a local law for some purposes may be interpreted as a public general law for other purposes. As explained by the Court of Appeals, "a law is not necessarily a local law merely because its operation is confined to ... a single county, if it affects the interests of the people of the whole State." *Gaither v. Jackson*, 147 Md. 655, 667 (1925).

The General Assembly has the authority to pass legislation that applies statewide. The authority to pass legislation affecting single or multiple political subdivisions varies based on the form of local government and relevant constitutional provisions. Legislation applicable to a single political subdivision generally is referred to as a public local law. By contrast, legislation applicable to two or more political subdivisions or applicable throughout the State is referred to as a public general law. Public local laws are usually codified in the Code of Public Local Laws of the applicable political subdivision but may alternatively be codified in the Annotated Code of Maryland. A public local law might also be uncodified, in which case it would appear only in the session laws that are published following the completion of each legislative session. Regardless of the form of local government, the General Assembly may pass legislation affecting individual political subdivisions in subject areas that have been preempted by the State.

One important distinction between public general laws and public local laws relates to the ability of the General Assembly to condition legislation on approval by the voters. The General Assembly may not submit a public general law to a referendum of the voters, as this action would be an unconstitutional delegation of its legislative authority. The enactment of a public local law, however, may be made contingent on the approval of the voters in the area or political subdivision affected by the legislation.

Local Bill Process in the General Assembly

Local Courtesy

Legislation pertaining to a single political subdivision or a limited number of political subdivisions is usually afforded “local courtesy.” If the legislation has the support of the citizens of a particular political subdivision, as expressed by the legislators elected to represent that political subdivision, then the members of the General Assembly representing other areas of the State, as a courtesy, usually will acquiesce to the wishes of the legislators of the affected political subdivision. Exceptions occasionally occur when other legislators believe that an ostensibly local bill has statewide implications. The concept of local courtesy is historically based on an expectation that members of the legislative delegation of a county or Baltimore City are the best judges of issues relevant solely to their own political subdivision.

Local Delegations and Select Committees

After the 2010 census, each legislative district of the State, represented by one senator and three delegates, includes approximately 123,000 citizens. Sixteen of the 47 legislative districts are divided into two or three subdistricts where each delegate represents either one-third or two-thirds of the district’s population. In the heavily

populated metropolitan areas of the State, a member of the Senate or the House of Delegates represents a portion of a county or Baltimore City. In the rural areas, such as Maryland's Eastern Shore, a senator or delegate may represent citizens of up to four counties. In either scenario, local courtesy provides that if a majority of the members of the Senate or the House of Delegates representing a particular political subdivision supports or opposes local legislation, the rest of the senators or delegates generally will defer to that decision.

The House of Delegates is organized into local county delegations for the purpose of considering local legislation. The rural counties also meet as regional delegations. Although the *Rules of the Maryland House of Delegates* allow for a delegation to act as a "select committee" for consideration of local legislation, in practice local bills approved by the appropriate delegation are referred to a House standing committee. The standing committee generally defers to the position taken by the local delegation. In the Senate, select committees consisting of single counties, or groups of sparsely populated counties, may consider local legislation, although local bills are generally referred to the standing committees. For some counties, the members of the Senate and the House of Delegates meet together for consideration of local legislation. For most counties, local legislation is introduced only in the House of Delegates rather than cross filed. If the legislation passes in the House, it then is considered by the Senate.

Procedures for consideration vary significantly among delegations. While procedures in many of the rural delegations are very informal, several of the more urban delegations have established elaborate procedures for consideration of local legislation. The Howard County, Montgomery County, and Prince George's County delegations have adopted the most complex procedures for their respective delegations. Each of these counties has published deadlines for its members to submit proposed local legislation for consideration several months before each legislative session of the General Assembly. County administration proposals generally are submitted by the delegation chair on behalf of the county administration. These bills are drafted by the Office of Policy Analysis in the Department of Legislative Services and are assigned unique local bill numbers. Copies of the draft bills (which have not been actually introduced in the General Assembly at this stage) are distributed at public hearings conducted in the respective counties weeks before the start of the legislative session.

Following local public hearings, or early in the legislative session, a delegation or a committee of a delegation will consider each appropriate local bill and may extensively amend a bill before it is formally introduced in the General Assembly. If the bill receives approval of the full delegation, it will be introduced under the sponsorship of the delegation. A delegation sometimes will not complete its work before the House of Delegates bill introduction deadline, at which time the bills may be introduced before

delegation approval in order to meet the deadline. A standing committee will delay formal action on a bill until it receives written notice of the appropriate delegation's approval of the bill. The General Assembly considers numerous bills each session that affect the Maryland-National Capital Park and Planning Commission and the Washington Suburban Sanitary Commission, entities that operate under State law in Montgomery and Prince George's counties. The local process for these bills is further complicated because these bills must be considered and approved by both county delegations before a standing committee of the House will take action.

An issue that occasionally results in controversy in local delegations is the weight given to the vote of a legislator whose district crosses county lines and who, therefore, represents fewer citizens in the respective county than legislators whose districts are entirely within the county. The *Rules of the Maryland House of Delegates* establish that each delegate who represents any portion of a county or Baltimore City is entitled to one vote; however, "[a]fter an opportunity for all delegates to be heard, a majority of delegation members present and voting may elect to allocate nonresident delegates less than one full vote." The vote of a delegate whose district is not entirely within the county may not be less than one-third of a full vote.

Commission Counties

Six of Maryland's counties operate under the traditional form of government – commission government: Calvert, Carroll, Garrett, St. Mary's, Somerset, and Washington. Article VII, Section 2 of the Maryland Constitution provides in part that the "powers and duties of the County Commissioners ... shall be such as now are or may be hereafter prescribed by law." Commission counties gradually have been granted a significant amount of local authority and discretion in addressing local affairs, authority sometimes referred to as "statutory home rule." Nevertheless, the powers granted commission counties are significantly more limited than the powers available to those counties that have adopted either charter or code home rule under the Maryland Constitution. Outside of those areas where all counties have been granted local authority, however, there is little uniformity in the powers of each commission county. This inconsistency is due in part to variations among the counties regarding the local economy and geography and the long tradition of local courtesy in the General Assembly.

A review of legislation considered by the General Assembly during the 2015-2018 sessions pertaining to individual commission counties illustrates the legislature's involvement in local matters that are not normally considered for home rule counties. Examples of these issues include the regulation of local roads, sale of county property, fees for water and sewer service and solid waste disposal, the abatement of nuisances, salaries and benefits of county officers and employees, term limits and the filling of vacancies in a

board of county commissioners, hunting, and animal control. The important point to remember is that the General Assembly is not in any way limited under the Maryland Constitution in passing legislation applicable to single commission counties.

Charter Home Rule Counties

As explained in Chapter 3, Article XI-A, Section 2 of the Maryland Constitution requires the General Assembly to provide by public general law a grant of express powers for those counties that elect to adopt charter home rule. The General Assembly has fulfilled this mandate by passing the Express Powers Act, which is codified in Title 10 of the Local Government Article. By giving charter counties authority to legislate in a given area under the express powers, the General Assembly delegates its authority to legislate in that area for an individual charter county to the county council, or county council and county executive, of that county. Recent case law illustrates the depth of this authority: if the Express Powers Act provides a framework for a matter within the county’s authority, but it does not give all the necessary specifics, “filling in the gaps left by the Express Powers Act is well within the power of the county government.” *Chesapeake Bay Foundation, Inc. v. DCW Dutchship Island, LLC*, 439 Md. 588, 604 (2014). Eleven of Maryland’s counties have adopted charter home rule under Article XI-A of the Maryland Constitution: Anne Arundel, Baltimore, Cecil, Dorchester, Frederick, Harford, Howard, Montgomery, Prince George’s, Talbot, and Wicomico.

Consistent with the concept of home rule, Article XI-A, Section 4 of the constitution prohibits the General Assembly from enacting a public local law for a charter county “on any subject covered by the express powers granted.” A bill applicable to any two or more counties, or a county and Baltimore City, however, is not a local bill for purposes of this restriction. The General Assembly may adopt such legislation, notwithstanding any inconsistency with local legislation enacted by a county under the express powers granted to charter counties, in which case, under Article XI-A, Section 3, the public general law would control.

The General Assembly also retains authority to adopt local laws applicable to individual charter counties on matters not addressed by the Express Powers Act. For example, because the Express Powers Act does not grant charter counties general authority to impose a tax, other than the property tax, the General Assembly may pass legislation authorizing a single charter county to impose a tax which, absent such authority, the county would be unable to impose. Other subject areas not delegated to charter counties under the Express Powers Act include the regulation of alcoholic beverages, control over offices established in each county under the Maryland Constitution, such as the offices of sheriff and State’s Attorney, and other matters such as public education where the State has preempted local regulation.

Baltimore City

The City of Baltimore is a unique public entity under the Maryland Constitution based on its historical role in the development of the State. The city is a municipality but is treated as a county for most purposes under State law because it derives its home rule powers from Article XI-A of the Maryland Constitution, which grants home rule to charter counties, rather than Article XI-E of the Maryland Constitution, which grants home rule to municipalities. Except as otherwise provided in the Maryland Constitution and the Annotated Code of Maryland, the General Assembly has almost the same authority over Baltimore City as it does over a charter county.

Because the express powers granted to Baltimore City by the General Assembly are codified in Article II of the Baltimore City Charter, and the express powers under Title 10 of the Local Government Article for charter counties do not apply to Baltimore City, the General Assembly is not restrained in modifying the grant of powers affecting Baltimore City alone. Thus, some argue that the General Assembly retains greater authority in legislating for Baltimore City than in legislating for individual charter home rule counties. Otherwise, the powers granted by the General Assembly under Article II of the Baltimore City Charter are very similar to the express powers that the General Assembly has granted charter counties under Title 10 of the Local Government Article.

Although there are a number of provisions in the Maryland Constitution unique to Baltimore City, one significant difference between charter home rule counties and Baltimore City relates to Baltimore City's authority to issue debt. Under Article XI, Section 7 of the Maryland Constitution, Baltimore City may not generally incur long-term debt unless first authorized by an ordinance of the mayor and city council and then approved by the voters of Baltimore City. The ordinance may not be placed on the ballot unless the proposed creation of debt is either presented to and approved by the majority of members of the General Assembly representing Baltimore City no later than the thirtieth day of the regular legislative session preceding the ballot or authorized by an act of the General Assembly. In practice, the Baltimore City Administration circulates a packet of proposed projects to the senators and delegates representing Baltimore City with accompanying resolutions for their signatures. The final package is then filed with the clerk of the House of Delegates for printing in the *House Journal*.

Code Home Rule Counties

Six of Maryland's counties have adopted code home rule under Article XI-F of the Maryland Constitution: Allegany, Caroline, Charles, Kent, Queen Anne's, and Worcester. A code county has significant autonomy in its ability to address local issues. As addressed in Chapter 3, the exact scope of a code county's authority has been subject to debate,

primarily due to the definition of a “public local law” under provisions of the Maryland Constitution governing code home rule. Article XI-F, Section 1 of the constitution defines “public local law” in part as “a law applicable to the incorporation, organization, or government of a code county and *contained* in the county’s code of public local laws” (emphasis added). When the definition of public local law is read literally, the authority of the county commissioners to enact local legislation would appear to turn on the codification of the law. The constitution, however, also limits the authority of the General Assembly to legislate for counties that have adopted code home rule. Article XI-F, Section 4 provides:

[e]xcept as otherwise provided in this Article, the General Assembly shall not enact, amend, or repeal a public local law which is special or local in its terms or effect within a code county. The General Assembly may enact, amend, or repeal public local laws applicable to code counties only by general enactments which in term and effect apply alike to all code counties in one or more of the classes provided for in [Article XI-F, Section 5].

Although there are no appellate court cases that have examined Article XI-F, it has been subject to an in-depth analysis by the Office of the Attorney General. In interpreting the authority of the General Assembly to legislate for code counties, the Attorney General concluded in part that, subject to stated exceptions, Article XI-F, Section 4 “*implicitly prohibits* the General Assembly from [enacting, amending, or repealing special or local laws in code counties] by not codifying an enactment in the code of public local laws ... [or] by making an enactment applicable to two but less than all of the code counties in a given class.” 62 Op. Att’y Gen. 275, 307 (1977) (*emphasis in original*).

Article XI-F, Section 5 requires the General Assembly to classify code counties by grouping them into not more than four classes, based either on population or on other criteria that the General Assembly determines appropriate. From 1966, when Article XI-F was ratified, until October 1997, there was a single class of code counties. In 1997 (Chapter 666), the General Assembly divided the State into four regions for purposes of code home rule: (1) Central Maryland; (2) Eastern Shore; (3) Southern Maryland; and (4) Western Maryland. Currently, four of the six code counties (Caroline, Kent, Queen Anne’s, and Worcester) are in the Eastern Shore class, while Allegany County is the only code county in the Western Maryland class, and Charles County is the only code county in the Southern Maryland class. Thus, for example, the General Assembly may adopt legislation for just Allegany County by making the act applicable only to the Western Maryland class of code counties, provided no other counties in that region adopt code home rule.

Notwithstanding the general restriction on the ability of the General Assembly to adopt legislation affecting individual code counties, Article XI-F, Section 8 grants the General Assembly exclusive authority to pass a local law that sets a maximum property tax rate for a particular code county or that caps the maximum amount of indebtedness that a particular code county may incur. The General Assembly, however, has not chosen to exercise as yet its authority under this provision for any county that has adopted code home rule.

Municipalities

Since the adoption of the municipal home rule amendment to the Maryland Constitution in 1954, the role of the General Assembly in municipal affairs has diminished significantly. Before 1954, the General Assembly was authorized to grant, amend, and repeal individual charters for municipalities. Under Article XI-E of the constitution, each municipality possesses home rule. The municipal home rule amendment is discussed in Chapter 4. Article XI-E, Section 1 precludes the General Assembly from passing a law “relating to the incorporation, organization, government, or affairs ... of ... municipal corporations ... which will be special or local in its terms or in its effect.” The General Assembly may only pass such legislation by a general law that applies to all municipalities in a given class.

The constitution requires the General Assembly to classify municipalities into not more than four classes based on population. To date, the General Assembly has complied with this mandate in a very different way than it has done for the code counties. Specifically, Section 4-102 of the Local Government Article declares simply that all municipalities constitute a single class.

Notwithstanding the general restriction on the General Assembly legislating for individual municipalities, the Maryland Constitution does provide for certain exceptions. Article XI-E, Section 5 authorizes the General Assembly to pass local legislation limiting the property tax rate that a municipality might impose or the amount of indebtedness that the municipality may incur. Such an act would be subject to the approval of the voters of the municipality. This authority, however, is not an exclusive power of the General Assembly. A municipality could take similar action through an amendment to its charter and only if the General Assembly imposed a more restrictive provision would the act of the General Assembly preempt the action of the municipality. To date, the General Assembly has not exercised its authority under this provision for any municipality.

Another exception is found under Article III, Section 61 of the Maryland Constitution. Notwithstanding the general condemnation power under Section 5-204(c) of the Local Government Article, a municipality must receive express authority from the General Assembly in order to exercise urban renewal powers for slum clearance. This

power is authorized under Article III, Section 61, the Urban Renewal Amendment, and is applicable to municipalities as well as counties. Interestingly, this constitutional provision states that the General Assembly’s authority to enact local laws regarding local urban renewal projects for slum clearance prevails over the restrictions under Article XI-E of the constitution. Accordingly, the General Assembly may legislate in this subject area for one municipality, or any number that is less than all municipalities, unlike most other subject areas in which the General Assembly must make municipal legislation applicable to all municipalities. From 1960, the year Article III, Section 61 was ratified, through the 2018 session, the General Assembly has granted authority under the Urban Renewal Amendment to 70 municipalities. Exhibit 4.3 lists these municipalities. This authority is codified as an appendix to each of the municipal charters found in the *Public Local Laws of Maryland – Compilation of Municipal Charters*. Once granted the urban renewal powers for slum clearance under the constitution, a municipality may exercise condemnation powers for individual blighted properties under Section 5-215 of the Local Government Article.

Special Taxing Districts and Regional Agencies

Special taxing districts created by the General Assembly operate similarly to municipalities. They provide a range of public services or provide an individual service in a specific region, which may be an area that extends beyond a single county. Unlike home rule counties or municipalities, the Maryland Constitution does not restrict the General Assembly from modifying the law governing these districts, nor does the constitution restrict the General Assembly from modifying the law governing regional agencies such as the Maryland-National Capital Park and Planning Commission and the Washington Suburban Sanitary Commission.

Other multipurpose or single-purpose special taxing districts have been established by local governments under various enabling authority granted by the General Assembly. For example, charter counties generally are authorized to “establish, modify, or abolish special taxing districts for any purpose” listed in Title 10 of the Local Government Article. Although the General Assembly may amend the law authorizing the creation of these districts, the General Assembly generally does not pass legislation affecting the districts themselves. There are possible exceptions, however, in cases where a special taxing district created by a local government seeks authority over a matter that the local government is not authorized to address.

There is an important limitation protecting special taxing districts that were established by the General Assembly to provide municipal services in a charter or code county and that are governed or administered by a committee or a commission elected or appointed independently of the county governing body. Unless the special taxing district

was established solely for fire protection or library service, the district is beyond the reach of the respective county's authority. Any change in the authority or existence of the special taxing district would generally be within the exclusive domain of the General Assembly. In a code county, however, action by both the General Assembly and county commissioners could conceivably be required to affect a district established by public local law before the adoption of code home rule.

Conflict of Laws/State Preemption

Conflict between laws is inevitable as different levels of government seek to shape policy through legislation. The Constitution of Maryland, State statutes, and case law provide guidance when conflicts occur. This section addresses constitutional and statutory provisions governing conflicts of law, the concurrent powers doctrine, the issue of State preemption, and the relationship between county and municipal law.

Constitutional and Statutory Provisions

Under the home rule provisions of the Maryland Constitution, when a conflict results between a public general law passed by the General Assembly and a local law passed by a charter or code county, the public general law controls. In contrast, under Section 1-206 of the General Provisions Article, a conflict between a public general law and a public local law *passed by the General Assembly* is resolved in favor of the public local law.

In some cases, the State and local government will have concurrent powers in a given area, and the courts will attempt to reconcile the State and local law. In other areas, the State may preempt local authority in matters of State concern.

Concurrent Powers Doctrine

The powers of the State and a local government to legislate in the same field are called concurrent powers. When both governments pass laws in the same field, however, an issue arises as to what extent the State has restricted local government's role by State involvement in that field. Under the concurrent powers doctrine, unless a public general law contains an express denial of the right to act by local authorities, the State's regulation of certain activity in a field does not mean that a local government cannot enact laws in that field.

For example, the Court of Appeals upheld Baltimore City's minimum wage law that required higher rates than the State minimum wage law. *City of Baltimore v. Sitnick & Firey*, 254 Md. 303 (1969). Even though the State had regulated minimum wages, Baltimore City's law was still valid because the State had not expressly prohibited local

legislation on minimum wages. Rather than conflict with State regulation, the Baltimore City law was viewed as supplemental regulation. This doctrine, however, is not absolute. As the court recognized, “there may be times when the legislature may so forcibly express its intent to occupy a specific field of regulation that the acceptance of the doctrine of preemption by occupation is compelled.”

State Preemption

The State may preempt a local law in the following three ways: (1) express preemption; (2) implied preemption; and (3) preemption by conflict.

Express Preemption

Express preemption is based on the authority of the General Assembly to reserve for itself “exclusive dominion over an entire field of legislative concern.” *Ad & Soil, Inc. v. County Comm’rs*, 307 Md. 307, 324 (1986). Express preemption is not difficult to discern because the language generally is unambiguous. An example of express preemption was recognized by the Court of Appeals in invalidating a Montgomery County ordinance regulating the sale of ammunition. *Montgomery County v. Atlantic Guns, Inc.*, 302 Md. 540 (1985). The court ruled that the State had expressly preempted this area. Other fields that have been preempted expressly by State law include (1) the regulation of horse racing; (2) the certification of insurers; (3) certain aspects of condominium regimes, cooperative housing corporations, and homeowners’ associations; and (4) with certain enumerated exceptions, vehicle laws.

Implied Preemption

Implied preemption is more difficult to define because its meaning is ascertained on a case-by-case basis. In determining whether the General Assembly has impliedly preempted a field, the courts primarily consider the comprehensiveness with which the General Assembly has legislated in the field. The courts also consider a variety of secondary factors, including:

- whether local laws existed before the enactment of the State laws governing the same subject matter;
- whether the State laws provide for pervasive administrative regulation;
- whether the local law regulates an area in which some local control has traditionally been allowed;
- whether the State law expressly provides concurrent legislative authority to local jurisdictions or requires compliance with local law;

- whether a State agency responsible for administering and enforcing the State law has recognized local authority to act in the field;
- whether the particular aspect of the field sought to be regulated by the local government has been addressed by the State legislation; and
- whether a two-tiered regulatory process, if local laws were not preempted, would engender chaos and confusion.

Examples of areas where the Court of Appeals has found that the General Assembly has implicitly preempted local regulation include campaign finance regulation, education, and the regulation of cigarette vending machines.

Preemption by Conflict

Preemption by conflict generally occurs when a local ordinance prohibits an activity that is allowed by State law or allows an activity that is prohibited by State law. The courts occasionally are called on to determine whether a “conflict” exists, assuming appropriate local authority exists. As early as 1909, the Court of Appeals addressed the relationship between State law and local ordinances. A local ordinance “must not directly or indirectly contravene the general law. Hence, ordinances which assume directly or indirectly to permit acts or occupation which [public general laws] prohibit, or to prohibit acts permitted by [the public general laws] or constitution, are under the familiar rule for validity of ordinances uniformly declared to be null and void.” However, “[a]dditional regulation by the ordinances does not render it void.” *Rossberg v. State*, 111 Md. 394, 416-417 (1909).

Whenever reasonably possible, the courts will try to construe legislation so that a conflict is avoided. However, sometimes conflicts occur. An example of a case where the Court of Appeals found a local ordinance in conflict with State public general law is *County Council v. Investors Funding*, 270 Md. 403 (1973), in which Montgomery County sought to regulate retaliatory evictions. The court found that the local ordinance conflicted with the State’s summary eviction statute and therefore was invalid.

Conflict between County and Municipal Law

Although less significant in terms of the legislative process in the General Assembly, questions occasionally arise concerning the effect of county law within municipalities. In 1981, confusion resulted from a Court of Appeals decision that held that a county law superseded the law of a municipality if the two provisions were in conflict. *Town of Forest Heights v. Frank*, 291 Md. 331(1981). Most municipalities, particularly the larger ones, had presumed a substantial degree of autonomy in relation to county government. Following a compromise by county and municipal interests, the General

Assembly passed legislation defining the types of county legislation applicable to a municipality within the county.

As long as the county legislation is within the scope of authority granted to the county, certain categories of county legislation generally apply within the boundaries of a municipality in that county. First, county legislation applies within a municipality if provided by a law passed by the General Assembly. Second, subject to the Tax-General Article, Tax-Property Article, and Title 16, Subtitle 5 and Title 20 of the Local Government Article, the area within a municipality is subject to county revenue or tax legislation and legislation adopting the county budget. Finally, county legislation that becomes effective immediately on the affirmative vote of at least two-thirds of the county governing body applies to the area within a municipality. The vote must follow a specific finding, after a public hearing, that there would be a significant adverse impact on the public health, safety, or welfare affecting residents in unincorporated areas of the county if the county legislation does not apply in all municipalities in the county. Additionally, county legislation enacted under this third category is subject to specific procedural requirements, including a right of judicial review.

Chapter 6. Overview of Local Government Revenues

County and municipal governments are responsible for delivering numerous public services that directly affect the quality of life of each Marylander. From providing children with quality public schools and health programs to protecting our streets and neighborhoods, local governments are at the forefront of the delivery of vital services. Local governments rely on two types of revenue sources to provide these necessary services: (1) local own-source revenues such as local taxes and service charges; and (2) intergovernmental revenues such as federal and State grants. In fiscal 2017, local governments in Maryland collected and received \$33.1 billion in revenues. The counties and Baltimore City accounted for 95.3% of local revenues, while municipalities generated 4.7% of local revenues. Exhibit 6.1 shows the amount of local revenues in fiscal 2017 by level of government. Exhibit 6.2 shows the amount of local government revenues for each county.

Exhibit 6.1
Local Government Revenues
(\$ in Millions)

	<u>FY 2017 Revenues</u>	<u>Percent of Total</u>
County Level	\$31,532.4	95.3%
Municipal Level	\$1,572.2	4.7%
Total	\$33,104.7	100.0%

Source: Department of Legislative Services

This chapter will discuss the underlying taxing authority of local governments in Maryland and will explore the various revenue sources for local governments and the degree to which localities rely on each of the sources to fund public services. This chapter also will discuss the differences between local own-source revenue and intergovernmental revenue while providing information on revenue trends over the last 10 years.

Exhibit 6.2
Local Government Revenues by County
Fiscal 2017
(\$ in Millions)

County	County	Municipal	Total	Percent County	Percent Municipal
Allegany	\$296.7	\$64.8	\$361.5	82.1%	17.9%
Anne Arundel	2,607.0	118.8	2,725.8	95.6%	4.4%
Baltimore City	3,901.5	0.0	3,901.5	100.0%	0.0%
Baltimore	3,847.4	0.0	3,847.4	100.0%	0.0%
Calvert	466.6	15.3	481.9	96.8%	3.2%
Caroline	132.0	22.3	154.2	85.6%	14.4%
Carroll	671.6	65.8	737.4	91.1%	8.9%
Cecil	381.9	54.0	435.8	87.6%	12.4%
Charles	799.2	16.4	815.6	98.0%	2.0%
Dorchester	135.2	25.7	160.9	84.1%	15.9%
Frederick	1,199.1	179.4	1,378.6	87.0%	13.0%
Garrett	139.8	7.0	146.9	95.2%	4.8%
Harford	1,068.5	71.4	1,139.9	93.7%	6.3%
Howard	2,080.2	0.0	2,080.2	100.0%	0.0%
Kent	79.2	16.0	95.2	83.2%	16.8%
Montgomery	6,979.7	246.3	7,226.0	96.6%	3.4%
Prince George's	4,602.9	210.3	4,813.2	95.6%	4.4%
Queen Anne's	222.4	11.7	234.0	95.0%	5.0%
St. Mary's	459.2	9.9	469.2	97.9%	2.1%
Somerset	98.5	8.1	106.6	92.4%	7.6%
Talbot	131.4	79.2	210.6	62.4%	37.6%
Washington	551.9	119.0	671.0	82.3%	17.7%
Wicomico	409.8	79.2	489.0	83.8%	16.2%
Worcester	270.6	151.6	422.2	64.1%	35.9%
Statewide	\$31,532.4	\$1,572.2	\$33,104.7	95.3%	4.7%

Source: Department of Legislative Services

Local Taxing Authority

The State possesses the inherent power to tax as an aspect of its sovereignty. Local governments, as subdivisions of the State, are not sovereign and may impose taxes only if the State confers this power on them. Article 14 of the Maryland Declaration of Rights states “[t]hat no aid, charge, tax, burthen, or fees ought to be rated or levied, under any pretense, without the consent of the Legislature.” Accordingly, all power to impose taxes at the local level derives from a statutory grant of authority from the General Assembly, either in the form of a public general law or a public local law. While local governments generally enjoy broad autonomy to enact local legislation under the home rule amendments of the Maryland Constitution, the General Assembly retains substantial power over local taxation. The manner in which the General Assembly may exercise its authority over taxation by local governments is subject to certain limitations that vary depending on the type of local government structure that a jurisdiction has adopted. A general discussion of the taxing authority of each type of local government follows.

Charter Home Rule Counties

The General Assembly adopted the Express Powers Act (Title 10 of the Local Government Article) to fulfill the mandate in Article XI-A of the Maryland Constitution to enumerate the powers that may be exercised by all charter counties. A charter county may adopt local laws on any of the subjects covered in the Express Powers Act. The General Assembly is forbidden to adopt a local law for a single charter county relating to any of the express powers. However, the General Assembly may pass public general laws concerning the express powers and such laws prevail over any local law enacted by a charter county.

The Express Powers Act does not include a grant of general taxing authority, but it does contain some provisions concerning taxation. Section 10-313(a) of the Local Government Article authorizes charter counties to impose a property tax in an amount sufficient “for the support and maintenance of the county government.” The inclusion of this provision in the Express Powers Act limits the authority of the General Assembly to pass legislation concerning the levying of property taxes that is applicable to only one charter county. However, the General Assembly may pass local legislation authorizing a single charter county to impose any tax other than the property tax. The General Assembly may also pass public general laws on any aspect of local taxation by charter counties.

In addition, Section 10-314 of the Local Government Article permits charter counties to “establish, modify, or abolish” special taxing districts that perform any function the county itself could perform under the Express Powers Act. Consequently, the General Assembly may not, by public local law, create or alter a special taxing district located

entirely within a single charter county that performs any function covered by the Express Powers Act. It may, however, pass public general laws concerning special taxing districts. The General Assembly could also authorize a single charter county to create a special taxing district to perform a function that the county itself could not perform under the Express Powers Act.

The Express Powers Act provides protection to certain special taxing districts located in a charter county that were created by the State before the adoption of charter home rule. This protection applies to special taxing districts that perform municipal services, other than library service or fire protection, and are governed or administered by a committee or a commission elected or appointed independently of the county governing body. Under Section 10-314(b) of the Local Government Article, these special taxing districts are outside of the county's authority and may only be modified or abolished by the General Assembly.

While Baltimore City is a municipality, it is treated as a county for most purposes of State law because it derives its home rule powers from Article XI-A of the constitution, which grants home rule to charter counties, rather than Article XI-E of the constitution, which grants home rule to municipalities. However, the Express Powers Act does not apply to the city. The powers of the city are codified in Article II of the Baltimore City Charter, which may be amended only by the General Assembly. Consequently, the General Assembly is free to expand, modify, or limit the taxing authority of Baltimore City by amending the city charter.

A county may adopt a charter and amend its charter independently of the General Assembly. A charter provision may place limits on local property tax rates or revenues, and several counties have adopted such limits by charter amendment, including Anne Arundel, Montgomery, Prince George's, Talbot, and Wicomico. In the event of a conflict between a public general law adopted by the General Assembly and a local charter provision limiting taxation, the public general law prevails. However, a charter provision may not be superseded by a public local law enacted by the General Assembly.

Code Home Rule Counties

The Maryland Constitution requires the General Assembly to group code counties into not more than four classes. Since 1997, code counties have been classified according to geographic regions of the State, including Central Maryland, Eastern Shore, Southern Maryland, and Western Maryland. There are currently four counties in the Eastern Shore class (Caroline, Kent, Queen Anne's, and Worcester), one county in the Southern Maryland class (Charles), one county in the Western Maryland class (Allegany), and no counties in the Central Maryland class.

Section 9 of Article XI-F of the constitution prohibits a code county from imposing any tax or fee unless authorized by the General Assembly. A code county may continue to impose a tax or fee authorized by the General Assembly prior to the adoption of code home rule. However, after the adoption of code home rule, a code county may only impose a new tax or fee if the General Assembly authorizes it through a public general law equally applicable to all code counties in one or more of the classes created by the General Assembly. However, in effect, the General Assembly may authorize a tax or fee for a single code county if that county is the only county in its class, as Charles and Allegany counties currently are.

Under Article XI-F, Section 8 of the constitution, the General Assembly has exclusive authority to pass, amend, or repeal a public local law for an individual code county that limits or authorizes a limit on the property tax rate that may be imposed by a code county. However, this authority has never been exercised.

Commission Counties

Counties that have not adopted either charter or code home rule under Article XI-A or XI-F of the Maryland Constitution are known as commission counties. Under Article VII, Section 2 of the constitution, the General Assembly retains plenary power to legislate for commission counties. Consequently, the General Assembly has complete discretion to determine the taxing powers of commission counties through public local laws or public general laws.

Municipalities

The Maryland Constitution requires the General Assembly to group municipalities into not more than four classes based on population. However, to date the General Assembly has established only one class which includes all municipalities. Section 5 of Article XI-E of the constitution prohibits a municipality from imposing any tax or fee that was not in effect on January 1, 1954, unless authorized by the General Assembly by public general law. A public general law authorizing a municipal tax or fee must apply equally to all municipalities in one or more of the classes created by the General Assembly. Since the General Assembly has created only one class, such a law must apply to all municipalities alike.

Under Article XI-E, Section 5 of the constitution, the General Assembly has authority to limit the property tax rate that may be imposed by any individual municipality. However, a local law limiting municipal property taxes may not take effect unless it is approved by the voters of the municipality in a referendum. The General Assembly has never exercised its power to limit municipal property taxes in this manner. The charter of a municipality may also limit local property tax rates, and several municipalities have adopted such limits.

Power to Grant Tax Exemptions

The power to grant exemptions from a tax is separate and distinct from the power to impose a tax. A legislative delegation of authority by the General Assembly to a local jurisdiction to impose a tax does not include the power to grant exemptions or provide tax credits. The power to provide exemptions or credits must be expressly granted. As discussed above, several provisions of the Maryland Constitution limit the authority of the General Assembly to pass legislation for individual charter counties, code counties, or municipalities relating to the power to *impose* a tax. However, none of these constitutional provisions restricts the power of the General Assembly to legislate for individual charter counties, code counties, or municipalities regarding the power to grant tax exemptions or credits. Therefore, the General Assembly may pass local legislation conferring the power to grant a tax exemption or credit on any individual local jurisdiction, regardless of the form of local government the jurisdiction has adopted.

Special Taxing Authority for Certain Jurisdictions

The General Assembly, by public local law, has granted Montgomery County, Baltimore County, and Baltimore City special broad powers of taxation that are unique among local governments in the State. These powers are codified in Section 52-17 of the Montgomery County Code (originally enacted in 1963), Section 11-1-102 of the Baltimore County Code (originally enacted in 1949), and Article II, Section 40 of the Baltimore City Charter (originally enacted in 1951).

The language of these statutes is similar. Each law grants the county or the city the “power to tax to the same extent as the state has or could exercise” within the limits of the county or city, as part of its general taxing power. Each law also confers the power to “grant exemptions and to modify or repeal existing or future exemptions” from any tax.

The authority conferred by these statutes is limited by a list of taxes the county or city is expressly not permitted to impose. The list of taxes that may not be imposed varies somewhat among the jurisdictions, but each of the jurisdictions is prohibited from imposing taxes on intangible personal property, motor fuel, vehicle registration, vehicle titling,

income, horse racing and pari-mutuel betting, recording of corporate papers, insurance, savings institutions, and estates. In addition, the Montgomery County and Baltimore County statutes expressly state that they may not be interpreted to authorize the county to tax the gross receipts of any person. Baltimore City, however, is permitted to impose a tax on gross receipts, with certain exceptions.

County Revenues in Maryland

County governments and Baltimore City collected \$31.5 billion in revenues in fiscal 2017. County governments receive revenues from two basic sources: own-source revenues, which include locally generated revenues such as property taxes and income taxes; and intergovernmental revenues, which include federal and State funding. Statewide, own-source revenues account for 66.1% of county revenues, and intergovernmental revenues account for 33.9%. Exhibit 6.3 illustrates the sources of revenues for county governments and Baltimore City and provides a comparison of revenues for fiscal 2007 and 2017. Exhibit 6.4 shows the sources of revenues for each county and Baltimore City for fiscal 2017.

Exhibit 6.3
Sources of Revenue – Counties and Baltimore City
Fiscal 2007 and 2017
(\$ in Millions)

	FY 2007		FY 2017	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Property Taxes	\$5,539.0	23.8%	\$7,919.8	26.4%
Income Taxes	4,094.2	17.6%	5,206.5	17.3%
Other Local Taxes	1,737.0	7.4%	1,988.3	6.6%
Service Charges	2,599.5	11.1%	3,592.2	12.0%
Other	1,482.4	6.4%	1,212.3	4.0%
State Grants	6,312.7	27.1%	8,136.7	27.1%
Federal Grants	1,554.4	6.7%	1,963.9	6.5%
<i>Subtotal</i>	\$23,319.2	100.0%	\$30,019.7	100.0%
Debt Proceeds	1,624.5		1,512.7	
Total	\$24,943.7		\$31,532.4	

Source: Department of Legislative Services

Exhibit 6.4
County Revenues by Source
Fiscal 2017

County	Property Taxes	Income Taxes	Other Taxes	Service Charges	Federal Grants	State Grants	Other
Allegany	15.0%	9.2%	1.5%	8.6%	9.6%	51.4%	4.6%
Anne Arundel	28.3%	19.9%	7.3%	13.3%	3.9%	23.6%	3.7%
Baltimore City	21.8%	8.6%	7.3%	14.0%	9.4%	34.5%	4.4%
Baltimore	26.4%	20.0%	4.9%	11.0%	7.5%	26.1%	4.0%
Calvert	34.2%	17.8%	2.3%	8.8%	4.1%	28.8%	4.1%
Caroline	19.2%	10.2%	2.0%	3.6%	9.3%	52.1%	3.6%
Carroll	30.4%	22.9%	3.1%	5.3%	5.7%	28.6%	4.0%
Cecil	27.7%	15.1%	1.6%	7.1%	7.1%	38.2%	3.1%
Charles	28.8%	15.4%	4.8%	10.8%	6.1%	29.1%	5.0%
Dorchester	21.7%	8.9%	3.4%	5.6%	12.2%	45.3%	2.8%
Frederick	25.9%	18.0%	3.6%	15.3%	4.6%	29.6%	3.0%
Garrett	34.9%	8.6%	5.8%	8.9%	9.1%	28.2%	4.5%
Harford	29.6%	21.1%	3.4%	7.4%	6.5%	27.4%	4.7%
Howard	31.7%	22.7%	6.5%	8.5%	4.0%	22.1%	4.5%
Kent	37.9%	16.4%	2.5%	3.9%	12.2%	25.0%	2.1%
Montgomery	26.9%	22.6%	9.6%	13.8%	5.9%	17.2%	4.1%
Prince George's	24.4%	12.3%	7.6%	13.5%	6.7%	31.0%	4.4%
Queen Anne's	31.8%	23.2%	4.0%	7.5%	4.9%	23.9%	4.7%
St. Mary's	24.8%	20.4%	4.2%	10.5%	6.2%	31.3%	2.6%
Somerset	17.1%	7.4%	0.7%	7.3%	17.7%	46.8%	3.0%
Talbot	27.8%	21.3%	9.8%	9.3%	7.2%	20.8%	3.8%
Washington	22.9%	14.7%	2.3%	6.9%	8.0%	42.7%	2.5%
Wicomico	16.5%	13.2%	1.5%	8.5%	8.1%	49.9%	2.2%
Worcester	48.1%	8.5%	11.1%	9.5%	4.9%	16.2%	1.7%
Statewide	26.4%	17.3%	6.6%	12.0%	6.5%	27.1%	4.0%

Source: Department of Legislative Services

Local Own-source Revenues

Locally generated revenues, or own-source revenues, account for the majority of revenues in most counties. Local own-source revenues include property, income, and other local taxes; service charges; license and permit fees; fines and forfeitures; and miscellaneous revenue. Local own-source revenues for county governments totaled \$19.8 billion in fiscal 2017, exclusive of debt proceeds.

The reliance on local own-source revenues varies among jurisdictions, reflecting the differences in the revenue raising abilities of local governments. The two major sources of local own-source revenues for county governments are property and income taxes. Property tax revenue is driven by a jurisdiction's assessable base and property tax rates, and income tax revenue is driven by a jurisdiction's taxable income and local income tax rates. Jurisdictions with a lower assessable base and taxable income must impose a higher tax rate to yield an equivalent amount of revenue.

To compensate for the lower tax bases in certain jurisdictions, nearly 70% of State aid incorporates a local wealth measure to distribute State funding in which less affluent jurisdictions receive relatively more funding. Accordingly, many of the State's less affluent jurisdictions receive a lower percentage of their funding from local sources and a higher percentage from the State. For example, Somerset County, one of the least affluent counties in the State, receives 34.6% of its revenue from local sources and 46.8% from the State. In comparison, Howard County, one of the most affluent counties in the State, receives 73.6% of its revenue from local sources and 22.1% from the State.

The reliance on local own-source revenues (in percentage terms) has increased in recent years for county governments. Statewide, local own-source revenues accounted for 65.8% of county revenues in fiscal 2007 and 66.1% in fiscal 2017.

Over the last 10 years, from fiscal 2007 through 2017, local own-source revenues for counties increased at an average annual rate of 2.6%, which is equal to the 2.6% rate of growth for State aid. Statewide, property tax revenues increased at an average annual rate of 3.6%, while income tax revenues increased at an average annual rate of 2.4%.

Property Taxes

The property tax is the primary local revenue source for county governments, accounting for 26.4% of total local revenues in fiscal 2017, excluding debt proceeds. The reliance on property tax revenues ranged from 15.0% in Allegany County to 48.1% in Worcester County. Property tax collections are affected by each county's property tax base and tax rate. Counties with a larger assessable base can collect relatively more tax revenues

than jurisdictions with a smaller tax base. For example, Worcester County, with its ocean resort property, had the State's highest per capita assessable base in fiscal 2018 at \$300,748, which was 245% of the statewide average. Somerset County had the second lowest per capita assessable base at \$55,225, or 45% of the statewide average. Due to its larger tax base, Worcester County is able to collect over five times more revenue per capita than neighboring Somerset County, even though Somerset County has a higher property tax rate.

Income Taxes

The income tax is the third largest revenue source for county governments, accounting for 17.3% of total local revenues in fiscal 2017, excluding debt proceeds. The reliance on income tax revenues ranged from 7.4% in Somerset County to 23.2% in Queen Anne's County. Local income tax revenues are a function of a county's income tax rate and net taxable income. Per capita net taxable income in Maryland totaled \$27,088 in tax year 2016. Montgomery County had the largest per capita net taxable income at \$41,094, followed by Howard County at \$39,254 and Anne Arundel County at \$32,005. Somerset County had the lowest at \$8,834.

Other Local Taxes

Other local taxes include transfer taxes, recordation taxes, sales and service taxes, admissions and amusement taxes, mobile home/trailer park taxes, and other miscellaneous local taxes. From fiscal 2007 through 2017, these taxes remained relatively constant as a share of county revenues, accounting for 7.0% of county revenues in fiscal 2007 and 6.6% in fiscal 2017. From fiscal 2007 to 2017, other local taxes increased at an average annual rate of 1.4% compared to 2.4% for total revenue.

Service Charges

County governments rely on service charges to offset the costs of providing public utilities and other infrastructure due to the continual growth throughout the State. As a share of county revenue, service charges have increased over the last 10 years, accounting for 10.4% of county revenue in fiscal 2007 and 12.0% in fiscal 2017. Sewer and water charges account for most of the service charges. From fiscal 2007 to 2017, service charges increased at an average annual rate of 3.3%.

Other Revenue Sources

County governments receive other types of revenues, including license and permit fees, fines and forfeitures, interests, dividends, rents, and concession proceeds. These sources make up 4.0% of county revenues. In fiscal 2007 through 2017, these revenue sources decreased at an average annual rate of 2.0%.

State Grants

State aid is the largest revenue source for many county governments in Maryland. In the 12 counties in which State aid was not the largest revenue source, it was either the second or third leading revenue source. In Anne Arundel, Baltimore, Calvert, Carroll, Garrett, Harford, Kent, Queen Anne's, and Worcester counties, State aid was the second largest revenue source after property taxes, whereas in Howard, Montgomery, and Talbot counties, State aid was the third largest revenue source after both property and income taxes. In fiscal 2007 to 2017, State aid to county governments increased at an average annual rate of 2.6% which is equal to a 2.6% growth rate for local own-source revenues.

State aid includes direct assistance to county governments, local school systems, libraries, community colleges, and local health departments. In fiscal 2017, local school systems received about 85% of total State aid. County and municipal governments received 9%, with most of the funds targeted for transportation, public safety, and park land acquisition and development. Community colleges, libraries, and local health departments accounted for the remaining 6%. Nearly 70% of State aid is distributed inversely to local wealth. Utilizing local wealth measures to distribute State aid attempts to offset the inequalities in the revenue capacity among local jurisdictions.

Federal Grants

Federal grants account for a small percentage of local government revenues, representing 6.5% of county revenues in fiscal 2017. The reliance on federal grants ranged from 3.9% in Anne Arundel County to 17.7% in Somerset County. The major areas in which local governments receive federal funds include primary and secondary education, community colleges, health and human services, housing and community development, public safety, and transportation.

Municipal Revenues in Maryland

Municipalities in Maryland, excluding Baltimore City, collected \$1.6 billion in revenues in fiscal 2017. From fiscal 2007 to 2017, municipal revenues increased at an average annual rate of 2.0%. Exhibit 6.5 illustrates the sources of revenues for municipal

governments and provides a comparison of municipal revenues for fiscal 2007 and 2017. Exhibit 6.6 shows the sources of revenues for municipalities in each county for fiscal 2017.

Exhibit 6.5
Sources of Revenue – Municipalities
Fiscal 2007 and 2017
(\$ in Millions)

	FY 2007		FY 2017	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Property Taxes	\$382.7	30.6%	\$539.1	35.3%
Income Taxes	89.9	7.2%	129.1	8.5%
Other Local Taxes	16.6	1.3%	31.3	2.0%
Service Charges	379.2	30.4%	471.1	30.9%
Other	164.1	13.1%	142.7	9.3%
State Grants	125.9	10.1%	112.1	7.3%
Federal Grants	32.8	2.6%	35.9	2.4%
County Grants	58.0	4.6%	65.7	4.3%
<i>Subtotal</i>	<i>\$1,249.2</i>	<i>100.0%</i>	<i>\$1,527.0</i>	<i>100.0%</i>
Debt Proceeds	36.7		45.3	
Total	\$1,285.9		\$1,572.3	

Source: Department of Legislative Services

Property Taxes

Property taxes are the largest revenue source for municipalities overall, accounting for 35.3% of total revenues. The dependence on property taxes ranges from 6.5% for the municipality in St. Mary's County to 54.0% for municipalities in Prince George's County. For municipalities in 13 counties (Allegany, Calvert, Carroll, Cecil, Charles, Dorchester, Garrett, Kent, Queen Anne's, St. Mary's, Talbot, Washington, and Worcester), service charges generate a larger share of municipal revenue than the property tax.

Income Taxes

Income taxes are the third largest revenue source for municipalities, accounting for 8.5% of total revenues. The reliance on income taxes ranges from 1.5% for municipalities in Worcester County to 16.9% for municipalities in Montgomery County.

Exhibit 6.6
Municipal Revenues by Source
Fiscal 2017

County	Property Taxes	Income Taxes	Other Taxes	Service Charges	Federal Grants	State Grants	County Sources	Other
Allegany	22.9%	4.3%	0.1%	48.2%	9.4%	10.6%	1.2%	3.1%
Anne Arundel	41.9%	6.2%	2.3%	30.1%	4.7%	6.1%	2.6%	6.1%
Calvert	29.9%	9.8%	14.0%	31.1%	1.1%	9.7%	0.8%	3.5%
Caroline	29.3%	3.8%	0.6%	26.1%	21.5%	13.4%	0.2%	5.1%
Carroll	29.1%	12.2%	0.5%	36.1%	3.5%	5.4%	4.9%	8.5%
Cecil	29.9%	5.1%	0.2%	33.1%	0.4%	21.8%	4.8%	4.8%
Charles	28.7%	12.3%	2.5%	44.6%	0.1%	5.9%	1.0%	5.0%
Dorchester	33.2%	4.1%	0.5%	41.1%	0.4%	14.2%	3.0%	3.4%
Frederick	35.3%	7.6%	1.4%	30.0%	2.8%	8.0%	3.0%	11.8%
Garrett	26.2%	6.4%	1.5%	34.5%	1.4%	19.2%	5.8%	5.0%
Harford	39.9%	7.2%	0.6%	33.7%	0.1%	4.5%	7.3%	6.5%
Kent	20.7%	6.3%	0.6%	23.5%	8.4%	26.2%	7.2%	7.1%
Montgomery	35.3%	16.9%	5.3%	19.0%	0.4%	3.7%	5.3%	14.1%
Prince George's	54.0%	13.4%	1.3%	7.6%	1.0%	6.0%	2.1%	14.6%
Queen Anne's	31.2%	16.6%	0.0%	33.0%	6.3%	4.5%	1.7%	6.6%
St. Mary's	6.5%	9.3%	0.0%	22.4%	0.0%	48.1%	0.5%	13.3%
Somerset	44.2%	3.6%	0.7%	24.6%	4.7%	15.5%	3.0%	3.7%
Talbot	17.9%	3.3%	0.2%	66.5%	1.0%	3.7%	1.3%	6.1%
Washington	26.2%	3.6%	2.9%	52.7%	2.1%	3.3%	0.6%	8.5%
Wicomico	36.9%	4.5%	1.9%	29.8%	0.8%	16.2%	1.3%	8.6%
Worcester	34.0%	1.5%	1.2%	35.8%	2.1%	4.0%	15.7%	5.7%
Statewide	35.3%	8.5%	2.0%	30.9%	2.4%	7.3%	4.3%	9.3%

Source: Department of Legislative Services

Service Charges

Service charges are the second largest revenue source for municipalities overall, accounting for 30.9% of total municipal revenues. Sewer and water charges accounted for the majority of the service charges. The remaining amount comprised general government, public safety, highways, and recreation charges. The reliance on service charges ranged from 7.6% for municipalities in Prince George's County to 66.5% for municipalities in Talbot County. The lower reliance on service charges in Prince George's County is due to water and sewer services being provided by the Washington Suburban Sanitary Commission, a bi-county agency serving Montgomery and Prince George's counties.

State Grants

State aid is the fourth largest revenue source for municipalities, accounting for 7.3% of revenues. The reliance on State aid varies across the State, ranging from below 4% of total revenues for municipalities in Montgomery, Talbot, and Washington counties to over 20% for municipalities in Cecil, Kent, and St. Mary's counties.

County Grants

County grants accounted for 4.3% of total municipal revenues. Reliance on county grants is highest in Harford, Kent, and Worcester counties. County funding results primarily from the sharing of county hotel/motel taxes and tax rebates. Tax rebates enable county governments to compensate municipalities for governmental services or programs that municipalities provide in lieu of similar county services or programs.

Comparison with Surrounding States

Like the State, Maryland local governments rely more on tax revenues than the national average. About half of local government revenue in the State comes from tax sources, compared to the national average of about 38%. The county income tax sets Maryland apart from other states. Maryland local governments rank first nationally in their reliance on the personal income tax as a revenue source. Local governments in Maryland are above the national average in their reliance on property taxes (ranked seventeenth) and below the national average in their reliance on sales taxes (ranked thirty-third). Exhibits 6.7 and 6.8 show Maryland local government reliance on various revenue sources compared to surrounding states.

Exhibit 6.7
Maryland Local Revenues
Comparison to Selected Jurisdictions
2014-2015 Revenue by Type as a Percent of Total Revenues

	Income Tax	Property Tax	Sales & Selective Taxes¹	Other Taxes²	Charges & Utilities³	Misc.⁴	Federal Aid	State Aid	Total Revenues
Delaware									
Percent	1.7%	23.5%	0.5%	3.0%	24.6%	6.0%	1.9%	38.9%	100.0%
Rank	8	33	46	11	27	7	48	7	
District of Columbia									
Percent	13.1%	15.8%	12.3%	8.7%	13.0%	7.1%	29.5%	0.7%	100.0%
Rank	2	49	6	1	48	4	1	51	
Maryland									
Percent	16.3%	28.8%	2.9%	2.6%	15.3%	4.3%	4.2%	25.7%	100.0%
Rank	1	17	33	14	44	29	13	37	
New Jersey									
Percent	0.0%	56.2%	0.4%	0.8%	11.8%	3.6%	2.1%	25.1%	100.0%
Rank	na	3	47	35	49	41	45	39	
North Carolina									
Percent	0.0%	20.1%	6.4%	0.7%	34.8%	4.8%	5.0%	28.1%	100.0%
Rank	na	38	22	40	6	19	7	26	
Pennsylvania									
Percent	7.7%	29.9%	2.4%	3.2%	16.8%	3.7%	3.8%	32.7%	100.0%
Rank	5	14	36	9	41	38	23	18	
Virginia									
Percent	0.0%	32.7%	7.1%	3.5%	18.5%	3.5%	4.7%	29.9%	100.0%
Rank	na	12	21	7	38	42	8	24	
West Virginia									
Percent	0.0%	29.7%	2.6%	4.0%	22.5%	4.5%	3.6%	33.0%	100.0%
Rank	na	15	34	5	32	22	25	17	
U.S. Average	1.8%	27.2%	6.5%	2.2%	24.8%	4.7%	3.9%	29.0%	100.0%

Note: For the rankings, 1 indicates the highest. Rankings are out of 51 except for the personal income tax (out of 14) and sales taxes (out of 49). The District of Columbia is classified as a local government in the Census data. If the rank is “na,” the state does not have that tax.

¹ Includes the general sales tax along with selective taxes such as excise taxes on alcohol and tobacco products, motor fuel taxes, titling taxes, admissions & amusement taxes, insurance premiums taxes, public utility gross receipts taxes and others.

² Includes license fees plus death & gift taxes, documentary & stock transfer taxes, severance taxes and other taxes.

³ Charges include higher education tuition, fees and auxiliary revenues, public hospital revenues, sewer and trash collection fees, highway tolls and other user charges & fees. Utilities includes the gross receipts of publicly owned utilities (water, gas, electric, and transit).

⁴ Interest earnings, net lottery revenues, liquor store revenues, rents, royalties, special assessments, sale of property & other.

Source: *State & Local Government Finances*, U.S. Census Bureau (September 2017)

Exhibit 6.8
Local Share of State and Local Revenues
Comparison to Selected Jurisdictions
2014-2015 Local Revenue by Type as a Percent of State and Local Revenues

	Income Tax	Property Tax	Sales & Selective Taxes ¹	Other Taxes ²	Total Taxes	Charges & Utilities ³	Misc. ⁴	Federal Aid	Total Revenues
Delaware									
Percent	4.8%	100.0%	3.3%	5.0%	22.0%	42.3%	17.8%	3.3%	34.4%
Rank	9	1	39	38	47	46	41	48	48
Maryland									
Percent	36.9%	92.1%	9.2%	24.0%	43.0%	53.3%	25.4%	9.5%	47.1%
Rank	1	36	33	9	17	32	34	16	28
New Jersey									
Percent	0.0%	100.0%	1.4%	7.0%	47.1%	43.7%	27.1%	5.7%	46.3%
Rank	n/a	16	47	34	8	45	33	36	31
North Carolina									
Percent	0.0%	100.0%	22.1%	7.7%	34.1%	76.1%	32.6%	13.2%	53.6%
Rank	n/a	1	21	30	35	9	28	7	11
Pennsylvania									
Percent	29.7%	99.8%	7.5%	18.7%	43.0%	46.1%	32.0%	9.4%	49.5%
Rank	3	21	34	16	18	42	29	18	23
Virginia									
Percent	0.0%	99.7%	29.9%	33.8%	45.0%	48.1%	25.2%	16.2%	50.3%
Rank	n/a	23	9	5	13	48	35	1	19
West Virginia									
Percent	0.0%	99.6%	5.1%	17.8%	26.3%	41.9%	16.7%	4.2%	30.9%
Rank	n/a	26	36	17	44	47	43	46	49
U.S. Average	10.2%	98.7%	11.2%	16.3%	37.2%	49.3%	25.3%	8.8%	44.6%

Note: For the rankings, 1 indicates the highest. Rankings are out of 50 except for the personal income tax (out of 13) and sales taxes (out of 48). If the rank is "na," the state does not have that tax.

¹ Includes the general sales tax along with selective taxes such as excise taxes on alcohol and tobacco products, motor fuel taxes, titling taxes, admissions & amusement taxes, insurance premiums taxes, public utility gross receipts taxes and others.

² Includes license fees plus death & gift taxes, documentary & stock transfer taxes, severance taxes and other taxes.

³ Charges include higher education tuition, fees and auxiliary revenues, public hospital revenues, sewer and trash collection fees, highway tolls and other user charges & fees. Utilities includes the gross receipts of publicly owned utilities (water, gas, electric, and transit).

⁴ Interest earnings, net lottery revenues, liquor store revenues, rents, royalties, special assessments, sale of property & other.

Source: *State & Local Government Finances*, U.S. Census Bureau (September 2017)

Chapter 7. Property Tax

The property tax is one of the three major revenue sources for county and municipal governments in Maryland. In fiscal 2017, local property tax collections totaled \$8.5 billion, representing 26.4% of county revenues and 35.3% of municipal revenues. In terms of local own-source revenues, the property tax is the largest revenue source for both county and municipal governments, accounting for 39.9% of county own-source revenues in fiscal 2017 and 41.1% of municipal own-source revenues. From fiscal 2003 to 2013, property tax collections at the county level increased at an average annual rate of 5.2%, slightly higher than the overall growth rate in county revenues. For municipalities, property tax collections increased at an average annual rate of 7.5%, much higher than the overall growth in municipal revenues. Since fiscal 2015, county property tax revenues increased by 3.8% annually, which is higher than the annual increase in property tax assessment, which is in part due to the State's triennial assessment process in which assessment increases are phased in over a three-year period, while assessment decreases are reflected immediately.

Property assessments in Maryland increased significantly between fiscal 2000 and 2008. The average three-year increase in the full cash value of property undergoing reassessment totaled 5.7% in 2000 and 60.2% in 2006. Properties reassessed for 2007 realized an increase of 56.1% statewide, whereas reassessments for 2008 realized an increase of 33.2%. However, the continual rapid increase in property assessments halted in 2009, as property valuation declined reflecting the national credit crisis and deteriorating economic conditions. Properties reassessed for 2011 realized a decrease of 17.9%; for 2012 reassessments declined by 13.0% and for 2013 reassessments declined by 3.6%. In the past five years, due to improvements in the national economy, property assessments have increased, as shown in Exhibit 7.1. Exhibit 7.2 shows the amount of property tax revenues collected in each county for fiscal 2017. Exhibit 7.3 shows the growth in county assessable base since fiscal 2010.

Exhibit 7.1 County Assessable Base Growth

<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
1.1%	2.9%	3.9%	3.5%	2.7%

Source: State Department of Assessments and Taxation

Exhibit 7.2
Property Tax Revenues
Fiscal 2017

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$43,084,121	\$14,849,615	\$57,933,736	\$802	23
Anne Arundel	698,803,710	45,293,434	744,097,144	1,308	13
Baltimore City	842,852,395	0	842,852,395	1,366	10
Baltimore	922,945,387	0	922,945,387	1,110	18
Calvert	148,639,839	4,255,589	152,895,428	1,678	6
Caroline	25,312,087	6,362,254	31,674,341	963	21
Carroll	199,485,638	18,462,361	217,947,999	1,304	14
Cecil	105,871,510	15,307,432	121,178,942	1,180	16
Charles	222,772,837	4,715,226	227,488,063	1,445	7
Dorchester	29,331,729	8,499,033	37,830,762	1,172	17
Frederick	293,125,353	62,509,344	355,634,697	1,435	8
Garrett	48,836,976	1,841,607	50,678,583	1,727	4
Harford	298,995,598	27,227,854	326,223,452	1,303	15
Howard	607,249,065	0	607,249,065	1,916	2
Kent	29,986,484	3,293,190	33,279,674	1,693	5
Montgomery	1,748,888,444	86,566,260	1,835,454,704	1,751	3
Prince George's	1,110,681,116	110,577,031	1,221,258,147	1,340	12
Queen Anne's	66,501,901	3,068,044	69,569,945	1,415	9
St. Mary's	107,137,471	603,734	107,741,205	963	20
Somerset	16,023,689	3,565,899	19,589,588	758	24
Talbot	36,531,210	14,080,461	50,611,671	1,360	11
Washington	123,135,894	29,470,958	152,606,852	1,019	19
Wicomico	63,377,661	28,005,237	91,382,898	891	22
Worcester	130,270,802	50,520,391	180,791,193	3,510	1
Total	\$7,919,840,917	\$539,074,954	\$8,458,915,871	\$1,404	

Source: *Local Government Finances in Maryland*, Department of Legislative Services

Exhibit 7.3
Growth in County Assessable Base – Real and Personal Property
Fiscal 2010-2019

County	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019 E
Allegany	11.9%	5.1%	0.1%	-1.3%	-1.3%	-0.5%	-0.4%	0.2%	0.4%	2.5%
Anne Arundel	6.0%	-2.1%	-6.4%	-4.1%	0.1%	1.8%	3.0%	4.4%	3.7%	3.4%
Baltimore City	13.8%	2.5%	-4.2%	-6.4%	-1.5%	3.8%	5.3%	7.0%	1.9%	0.2%
Baltimore	8.9%	0.5%	-5.7%	-4.2%	-2.8%	-0.6%	2.0%	2.9%	3.4%	2.8%
Calvert	8.0%	1.9%	-6.2%	-5.8%	-2.2%	-0.4%	0.5%	2.0%	1.8%	1.9%
Caroline	11.5%	-0.5%	-7.3%	-4.7%	-5.7%	-1.4%	-0.4%	-0.2%	0.4%	1.2%
Carroll	8.7%	-5.3%	-5.9%	-4.2%	-1.4%	-0.6%	1.1%	2.0%	2.4%	2.7%
Cecil	6.8%	-1.1%	-4.6%	-5.6%	-3.1%	0.1%	0.5%	0.6%	2.2%	2.3%
Charles	7.0%	-5.5%	-6.8%	-4.7%	-1.9%	-0.4%	1.3%	3.8%	2.1%	2.7%
Dorchester	9.1%	0.5%	-8.9%	-3.4%	-4.4%	-3.0%	-0.2%	-0.2%	0.0%	-0.7%
Frederick	6.1%	-6.9%	-8.8%	-4.6%	-0.6%	1.6%	3.5%	4.3%	4.2%	2.5%
Garrett	7.7%	6.1%	0.0%	-2.9%	-0.3%	-7.5%	0.9%	0.9%	1.0%	0.5%
Harford	8.8%	0.4%	-3.9%	-2.4%	-0.8%	0.6%	1.2%	2.3%	2.6%	1.5%
Howard	5.0%	-4.0%	-6.4%	-2.2%	0.6%	2.5%	4.5%	4.0%	4.2%	2.2%
Kent	10.3%	2.0%	-3.9%	-3.1%	-1.5%	-2.1%	-0.1%	-0.2%	0.3%	0.5%
Montgomery	0.4%	-4.5%	-6.4%	-2.7%	0.9%	2.5%	4.2%	4.0%	3.6%	2.7%
Prince George's	11.6%	0.2%	-13.1%	-7.9%	-3.9%	0.6%	3.7%	6.7%	6.8%	5.6%
Queen Anne's	7.5%	-3.3%	-2.3%	-6.0%	-4.1%	-0.6%	0.2%	2.2%	2.2%	2.3%
St. Mary's	11.0%	2.4%	-4.7%	-3.0%	-1.1%	0.3%	0.8%	1.0%	1.7%	0.6%
Somerset	7.7%	0.7%	-4.7%	-12.1%	0.0%	-3.5%	1.1%	-0.8%	-0.2%	-0.5%
Talbot	10.8%	-0.1%	-4.0%	-4.2%	-5.1%	-3.5%	-1.5%	0.3%	-0.2%	0.0%
Washington	8.1%	-4.4%	-6.7%	-3.3%	-3.1%	-0.7%	1.0%	1.6%	1.4%	2.3%
Wicomico	7.8%	-1.0%	-7.5%	-6.3%	-5.4%	-3.6%	0.5%	0.4%	2.3%	2.4%
Worcester	-5.5%	-5.8%	-3.6%	-10.0%	-5.9%	0.1%	-0.1%	2.2%	2.5%	1.4%
Statewide	6.1%	-2.1%	-6.8%	-4.4%	-1.3%	1.1%	2.9%	3.9%	3.5%	2.7%

Source: State Department of Assessments and Taxation

Tax Base

State law provides that the owners of the following types of property are generally subject to a property tax:

- real property;
- tangible personal property owned by businesses;
- operating property of railroads;
- operating property of public utilities;
- stock in trade of manufacturing or commercial businesses; and
- certain leaseholds.

Exhibit 7.4 shows each county's total assessable property base for fiscal 2018, as well as the assessable base on a per capita basis and assessable base growth from fiscal 2017 to 2018. Exhibit 7.5 provides the real and personal property assessable base for fiscal 2017 and 2018 and the changes between the two years.

Tax Administration

A well-defined statutory relationship exists between the State and local governments in the administration of the property tax system. While property tax revenues are a relatively minor revenue source to the State, the State has assumed responsibility for the valuation and assessment of property. Local governments, on the other hand, levy and collect property taxes. The State takeover of the valuation and assessment function was implemented to provide uniform and equitable assessments of property throughout the State, in compliance with the "uniformity clause" of the Maryland State Constitution. Article 15 of the Declaration of Rights provides that the "General Assembly shall, by uniform rules, provide for the separate assessment, classification and sub-classification of land, improvements on land and personal property . . . ; and all taxes . . . shall be uniform within each class or sub-class".

Exhibit 7.4
County Assessable Base Measures for Fiscal 2018

County	Population July 1, 2016	Assessable Base (\$ in Thousands)	Per Capita Amount	Ranking	Growth from Prior Year	Ranking
Allegany	72,130	\$3,898,049	\$54,042	24	0.4%	20
Anne Arundel	568,346	86,772,292	152,675	7	3.7%	4
Baltimore City	614,664	41,209,840	67,044	21	1.9%	14
Baltimore	831,026	84,683,073	101,902	15	3.4%	6
Calvert	91,251	12,773,365	139,981	9	1.8%	15
Caroline	32,850	2,608,678	79,412	20	0.4%	19
Carroll	167,656	19,514,216	116,394	11	2.4%	9
Cecil	102,603	9,992,274	97,388	17	2.2%	12
Charles	157,705	17,532,024	111,170	14	2.1%	13
Dorchester	32,258	2,879,772	89,273	18	0.0%	22
Frederick	247,591	29,420,275	118,826	10	4.2%	3
Garrett	29,425	4,585,290	155,830	6	1.0%	18
Harford	251,032	28,414,432	113,190	12	2.6%	7
Howard	317,233	51,403,275	162,036	5	4.2%	2
Kent	19,730	2,950,517	149,545	8	0.3%	21
Montgomery	1,043,863	189,529,990	181,566	3	3.6%	5
Prince George's	908,049	90,628,096	99,805	16	6.8%	1
Queen Anne's	48,929	8,010,735	163,722	4	2.2%	11
St. Mary's	112,587	12,517,484	111,181	13	1.7%	16
Somerset	25,928	1,431,319	55,204	23	-0.2%	24
Talbot	37,278	8,411,019	225,630	2	-0.2%	23
Washington	150,292	12,817,817	85,286	19	1.4%	17
Wicomico	102,577	6,284,266	61,264	22	2.3%	10
Worcester	51,444	15,545,646	302,186	1	2.5%	8
Statewide	6,016,447	743,813,744	\$123,630		3.5%	

Source: State Department of Assessments and Taxation; Department of Legislative Services

Exhibit 7.5
County Assessable Base for Fiscal 2018 and Percent Change from Fiscal 2017
(\$ in Thousands)

County	Subject to Real Property	Percent Change	Subject to Personal Property	Percent Change	Total Property	Percent Change
Allegany	\$3,558,631	0.2%	\$339,418	2.4%	\$3,898,049	0.4%
Anne Arundel	84,154,099	3.8%	2,618,193	3.3%	86,772,292	3.7%
Baltimore City	38,724,557	1.6%	2,485,282	7.9%	41,209,840	1.9%
Baltimore	81,283,323	3.2%	3,399,750	8.8%	84,683,073	3.4%
Calvert	11,708,309	1.8%	1,065,055	1.6%	12,773,365	1.8%
Caroline	2,488,874	0.2%	119,804	6.0%	2,608,678	0.4%
Carroll	18,909,210	2.3%	605,006	6.4%	19,514,216	2.4%
Cecil	9,560,918	2.2%	431,357	1.8%	9,992,274	2.2%
Charles	16,973,060	3.7%	558,964	-30.1%	17,532,024	2.1%
Dorchester	2,761,007	0.0%	118,765	-0.6%	2,879,772	0.0%
Frederick	29,029,169	4.2%	391,106	4.6%	29,420,275	4.2%
Garrett	4,317,380	0.4%	267,910	12.1%	4,585,290	1.0%
Harford	27,095,643	2.3%	1,318,789	9.0%	28,414,432	2.6%
Howard	49,737,544	4.2%	1,665,731	5.0%	51,403,275	4.2%
Kent	2,903,700	0.2%	46,817	7.2%	2,950,517	0.3%
Montgomery	185,363,013	3.5%	4,166,976	8.4%	189,529,990	3.6%
Prince George's	87,376,740	6.6%	3,251,356	12.6%	90,628,096	6.8%
Queen Anne's	7,933,920	2.3%	76,815	-1.1%	8,010,735	2.2%
St. Mary's	12,223,037	1.6%	294,447	6.0%	12,517,484	1.7%
Somerset	1,353,119	-0.7%	78,200	10.0%	1,431,319	-0.2%
Talbot	8,346,640	-0.2%	64,379	-0.6%	8,411,019	-0.2%
Washington	12,218,357	1.3%	599,460	3.5%	12,817,817	1.4%
Wicomico	5,906,609	2.2%	377,658	4.2%	6,284,266	2.3%
Worcester	15,178,059	2.5%	367,587	3.6%	15,545,646	2.5%
Statewide	\$719,104,918	3.5%	\$24,708,826	5.9%	\$743,813,744	3.5%

Source: State Department of Assessments and Taxation

Real Property

Real property is valued and assessed once every three years by the State Department of Assessments and Taxation. This approach, the triennial assessment process, was part of major property tax reform established in 1979. Prior to June 1, 2018, assessors from the department were required to physically inspect each property every three years. Chapter 651 of 2018 repealed the requirement that the department value all real property based on an exterior physical inspection of the real property. Instead, the law requires the department to value real property based on a review of each property in each three-year cycle. The review by the department must include a physical inspection of a property if (1) the value of improvements to the property is being initially established; (2) the value of substantially completed improvements is being established; (3) the property is the subject of a recent sale, and the inspection is deemed necessary by the State Department of Assessments and Taxation for purposes of market analysis; (4) the property owner requests a physical inspection as part of an active appeal; (5) the department is notified by a county finance officer that a substantially completed improvement has been made that adds at least \$1.0 million in value to the property; or (6) the department determines that a physical inspection is appropriate. The department must perform a physical inspection within 30 days of being notified of a substantial improvement by a county finance officer. No adjustments are made in the interim, except in certain cases including (1) a zoning change; (2) a substantial change in property use; (3) extensive improvements to the property; or (4) a prior erroneous assessment. The assessor determines the current “full market value” of the property and any increase in value is phased in over a three-year period. Any decrease, however, is recognized immediately for assessment purposes.

Special use assessments may apply to certain types of property such as agricultural land, woodland, marshland, country clubs, and golf courses. Special use assessments are fully described in *Volume III – Maryland’s Revenue Structure* of the Legislative Handbook Series.

Personal Property

Subject to numerous exemptions, tangible business personal property located in Maryland is subject to local personal property tax in most counties. However, Dorchester, Frederick, Garrett, Kent, Queen Anne’s, and Talbot counties do not tax personal property. Although the State does not impose a personal property tax, the assessment of personal property is also the responsibility of the State Department of Assessments and Taxation. Assessments are made annually on the basis of sworn reports filed by businesses with the department’s central office. Inventory is valued at its “fair average value,” which means the lower of cost or market value averaged over the number of months in a year the inventory is in existence. All other business personal property, including office furniture,

fixtures, equipment, and machinery, is valued at “full cash value.” Uniform rates of depreciation are applied to the cost of the property to determine full cash value. Separate provisions apply to the assessment of operating property of railroads and public utilities.

Tax Rate Setting Authority

Local property tax rates are set annually by local governments and are applied to the county and municipal assessable bases. Generally, State law does not restrict the level of property taxation imposed by local governments. The one exception is the General Assembly’s authority to set maximum limits on the rate of property taxes in municipalities and code counties under the provisions of Article XI-E, Section 5 and Article XI-F, Section 8 of the Maryland Constitution, respectively. However, the Department of Legislative Services is unaware of any instances in which this authority has ever been exercised.

Local Property Tax Rates

The local property tax rate is established by each county, Baltimore City, or municipality expressed as an amount per \$100 of assessed value. The county property tax rate may be supplemented by special property tax levies for special districts. Several counties have exercised this authority and have created special taxing districts to finance services not included in the general rate. These services range from fire protection and parks and recreation services, which usually encompass the entire local jurisdiction, to water, sewer, and community benefit services that target a smaller segment of the county. Further, taxpayers are subject to different rates in many districts depending on the level of services provided in those districts.

Prior to July 1, 2013, State law required the county personal property tax rate to be set at 2.5 times the county real property tax rate. Beginning July 1, 2013, the county personal property tax rate was decoupled from the county real property tax rate by authorizing county governments to set a personal property tax rate at no more than 2.5 times the county real property tax rate. Exhibit 7.6 shows county property tax rates, including appropriate countywide special tax rates, for fiscal 2013 through 2018. Exhibit 7.7 shows the special county property tax rates in Charles, Howard, Montgomery, and Prince George’s counties in fiscal 2019.

Factors Affecting Local Property Tax Rates

Local property tax rates are a function of a jurisdiction’s property tax base, assessment increases and statutory limits on annual assessment increases, public demand for governmental services, and other sources of revenues available to fund government

programs. The larger the property tax base in a county, the more tax revenue that can be derived with an increase in the property tax rate.

For example, based on fiscal 2019 estimates, a 1-cent increase in the real property tax rate in Montgomery County generates an additional \$19.1 million in revenue, whereas it generates only \$8.5 million in Prince George’s County, even though there is only a small difference in the number of residents in the two counties. In addition, jurisdictions with large property tax bases can rely more heavily on property taxes, while keeping other taxes low. For example, due to the high value of ocean-front property in Ocean City, Worcester County is able to maintain the State’s lowest local income tax rate, while having the second lowest property tax rate.

As the demand for and cost of governmental services increase, counties may increase property tax rates to generate the revenue to fund these services and programs. For example, as a jurisdiction becomes more urbanized, the demand for certain services such as police, fire protection, and utilities tends to increase. In addition, counties with relatively high costs of living must spend more than other jurisdictions to obtain the same level and quality of services. Consequently, unless other sources of revenue are available to fund these services, local tax rates could increase.

Local governments, however, can realize additional property tax revenue without changing tax rates if the assessable base grows. In addition, many jurisdictions are able to rely on alternative ways to generate revenues other than the property tax. For example, counties with large net taxable incomes can receive a significant amount of revenue through the local income tax, thereby offsetting the need to increase property tax rates.

Exhibit 7.6
County Real Property Tax Rates in Fiscal 2014-2019
(Per \$100 of Assessed Value)

County	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Allegany	\$0.980	\$0.979	\$0.978	\$0.977	\$0.976	\$0.975
Anne Arundel	0.950	0.943	0.923	0.915	0.907	0.902
Baltimore City	2.248	2.248	2.248	2.248	2.248	2.248
Baltimore	1.100	1.100	1.100	1.100	1.100	1.100
Calvert	0.892	0.892	0.892	0.952	0.952	0.937
Caroline	0.940	0.960	0.980	0.980	0.980	0.980
Carroll	1.018	1.018	1.018	1.018	1.018	1.018
Cecil	0.991	0.991	0.991	0.991	1.041	1.041
Charles	1.205	1.205	1.205	1.205	1.205	1.205
Dorchester	0.976	0.976	0.976	0.976	0.974	1.000
Frederick	1.064	1.060	1.060	1.060	1.060	1.060
Garrett	0.990	0.990	0.990	0.990	0.990	0.990
Harford	1.042	1.042	1.042	1.042	1.042	1.042
Howard	1.190	1.190	1.190	1.190	1.190	1.190
Kent	1.022	1.022	1.022	1.022	1.022	1.022
Montgomery	1.021	1.008	0.999	1.038	1.013	0.993
Prince George's	1.319	1.319	1.374	1.374	1.374	1.374
Queen Anne's	0.847	0.847	0.847	0.847	0.847	0.847
St. Mary's	0.857	0.857	0.852	0.852	0.848	0.848
Somerset	0.915	0.915	1.000	1.000	1.000	1.000
Talbot	0.512	0.527	0.536	0.547	0.571	0.606
Washington	0.948	0.948	0.948	0.948	0.948	0.948
Wicomico	0.909	0.952	0.952	0.952	0.940	0.940
Worcester	0.770	0.770	0.835	0.835	0.835	0.835

Note: The rates in Charles, Howard, Montgomery, and Prince George's counties reflect special rates for services not funded from the general county property tax rate.

Source: Department of Legislative Services

Exhibit 7.7
Special County Property Tax Rates
Fiscal 2019

	<u>Real Property Tax Rate</u>	<u>Percent of Total</u>
Charles County		
General Tax	\$1.141	94.7%
Fire District Tax	0.064	5.3%
Total Rate	\$1.205	100.0%
Howard County		
General Tax	\$1.014	85.2%
Fire District Tax	0.176	14.8%
Total Rate	\$1.190	100.0%
Montgomery County		
General Tax	\$0.741	74.7%
Transit Tax	0.050	5.0%
Fire District Tax	0.107	10.7%
M-NCPPC	0.070	7.0%
Recreation Tax	0.025	2.6%
Storm Drainage Tax	0.000	0.0%
Total Rate	\$0.993	100.0%
Prince George's County		
General Tax	\$1.000	72.8%
M-NCPPC	0.294	21.4%
WSTC	0.026	1.9%
Stormwater	0.054	3.9%
Total Rate	\$1.374	100.0%

M-NCPPC: Maryland-National Capital Park and Planning Commission

WSTC: Washington Suburban Transit Commission

Source: Department of Legislative Services

Property Tax Differentials and Rebates

To compensate municipalities for providing services in lieu of similar county services or programs and to address the effect of double taxation when residents pay both county and municipal property taxes, in fiscal 2017, 18 counties provided property tax set-offs through either a tax rate differential or tax rebate. A municipal tax rate differential takes the form of a reduced county property tax rate within the boundaries of a municipality. A tax rebate is a direct grant to a municipality for providing services that are similar to county services. In fiscal 2017, municipal tax differentials and rebates totaled approximately \$107.1 million.

Provisions relating to the establishment of property tax differentials and rebates are specified in the Annotated Code of Maryland. Section 6-305 of the Tax-Property Article mandates that Allegany, Anne Arundel, Baltimore, Frederick, Garrett, Harford, Howard, Montgomery, and Prince George's counties meet annually with the governing bodies of municipalities to discuss the property tax rate to be set for assessments of property in the municipality. If it is demonstrated that a municipality performs services or programs in lieu of similar county services and programs, the governing body of the county must impose the county property tax on assessments of property in the municipality at a rate that is less than the general county property tax rate or it must provide a tax rebate to the municipal government.

Section 6-305.1 of the Tax-Property Article (Chapter 55 of 2015) requires Frederick County to meet and discuss annually with each municipality about the county property tax rate to be set for assessments of property in the municipality. After the meeting if it can be demonstrated that a municipality performs services or programs instead of similar county services or programs, Frederick County must grant a tax setoff to the municipality in accordance with a formula agreed to by the county and the municipality. If Frederick County and a municipality fail to reach an agreement concerning the formula by which a tax setoff is to be calculated, Frederick County must grant a tax setoff using the formula for the preceding taxable year. Frederick County and a municipality must agree to phase in over a period of three to five years, beginning in fiscal 2017, any increase in the level of a tax setoff above the level of the tax setoff granted in fiscal 2016 if the increase is attributable to the funding of new services or programs.

Section 6-306 of the Tax-Property Article governs the procedure for the setting of a tax differential in the other counties. The governing bodies of the counties are required to meet annually with the governing bodies of municipalities to discuss the property tax rate to be set for assessments of property in the municipality. If it is demonstrated that the municipality performs services or programs in lieu of similar county services, the county may establish a county property tax rate for property in the municipality that is lower than

the general county property tax rate or it may provide a tax rebate to the municipal government.

Property Tax Limitation Measures

Five charter counties (Anne Arundel, Montgomery, Prince George’s, Talbot, and Wicomico) have amended their charters to limit property tax rates or revenues. In Anne Arundel County, the total annual increase in property tax revenues is limited to the lesser of 4.5% or the increase in the Consumer Price Index. In Montgomery County, the growth in property tax revenues is limited to the increase in the Consumer Price Index; however, this limitation does not apply to new construction. In addition, the limitation may be overridden by a unanimous vote of all nine county council members. In Prince George’s County, the general property tax rate is capped at \$0.96 per \$100 of assessed value. Special taxing districts, such as the Maryland-National Capital Park and Planning Commission, are not included under the tax cap. In Talbot and Wicomico counties, the total annual increase in property tax revenues is limited to the lesser of 2% or the increase in the Consumer Price Index.

The counties may exceed the charter limitations on local property taxes for the purpose of funding the approved budget of the local board of education. If a local property tax rate is set above the charter limit, the county governing body may not reduce funding provided to the local board of education from any other local source and must appropriate to the local board of education all of the revenues generated from any increase beyond the existing charter limit. Any use of this authority must be reported annually to the Governor and the General Assembly. This authority was enacted under Chapter 6 of 2012 in order to ensure that counties have the fiscal ability to meet new maintenance of effort requirements for funding education. In fiscal 2013, Talbot County became the first jurisdiction to exercise this new authority by establishing a 2.6-cent supplemental property tax rate for the local board of education. No jurisdiction exercised this authority in fiscal 2014 or 2015. In fiscal 2016, Prince George’s County became the second county to exercise this authority by enacting a 4-cent supplemental property tax rate to fund its schools. In fiscal 2017, Talbot County again exceeded its charter limit by establishing a 0.86-cent supplemental property tax rate for public education. Montgomery County exceeded the charter limit through a unanimous vote by the county council. In fiscal 2018, Talbot County exceeded its charter limit again by approving a 1.59-cent supplemental property tax rate for the board of education.

Some municipalities also have maximum property tax rates set forth in their charter. Approximately 20 of the 156 municipalities in Maryland currently have some type of property tax rate limitation. In most cases, these limitations set a maximum tax rate. However, some municipal charters specify instances in which the tax limitations may be

exceeded, such as for debt service, and some will have different rate limitations for different property taxes (real, personal, and special tax district rates).

Constant Yield Tax Rate Provision

The “constant yield” is a concept that, as property values fluctuate, the tax rate would be adjusted so that the revenue derived from the property tax stays at a constant level from year to year, thus assuring a local government a “constant yield” from its tax source. The constant yield tax rate is the rate that, when applied to the current assessable base, yields the same property tax revenue as in the prior year. Generally, when there is growth in the real property assessable base, the constant yield tax rate is lower than the existing tax rate. The State Department of Assessments and Taxation notifies all counties and municipalities by February 14 of their constant yield tax rates for the upcoming fiscal year.

Chapter 239 of 2017 extended the deadline by which Baltimore City and county governments (from November 15 to March 15) and municipalities (from November 25 to March 25) must set or alter the homestead property tax credit percentage in a taxable year and then notify the State Department of Assessments and Taxation of any changes. Chapter 239 also authorized the department to recalculate the constant yield tax rate by April 15 if a county or municipality changes the homestead tax credit percentage. In addition, Chapter 239 required assessment notices to include a statement that the taxable assessment may change if a county or municipality changes the homestead tax credit percentage, and that the final taxable assessment will be stated on the next property tax bill.

Under the constant yield tax rate law, taxing authorities are required to (1) provide information to the public about the constant yield tax rate and the assessable base and (2) hold public hearings regarding proposals to enact a tax rate that is higher than the constant yield rate. A municipality is exempt from the requirements of the constant yield tax rate law if the difference in revenue generated by the current year’s tax rate and the constant yield tax rate is less than \$25,000. If a municipality is exempt from the constant yield tax rate law, it is not required to advertise or hold public hearings on the proposed tax rate increase. The municipality may set any tax rate within the limits of its town charter. The department is required to report to the Attorney General any taxing authority that appears to have violated the requirements of this law. Violating jurisdictions must reduce their property tax rates to the constant yield level and must refund all excessive taxes that have been collected.

Tax Exemptions

While local governments have limited ability to alter real property exemptions, they have been granted broad authority to exempt certain types of personal property from property taxation. The types of property exempt from local taxation are enumerated in Title 7 of the Tax-Property Article. Exemptions apply to State property taxation as well, although the State does not tax personal property. The major exemptions from the local property tax are:

Real Property

- local, State, and federal government property;
- property of religious organizations;
- cemeteries and mausoleums;
- nonprofit hospitals;
- portions of continuing care facilities for the elderly;
- property of charitable, fraternal, and educational institutions;
- property used for national defense or military housing;
- property of national veterans' organizations;
- homes of disabled veterans and the blind (partial exemption), or a surviving spouse of either;
- property of historical societies and museums;
- property owned by certain taxpayers engaged in building, operating, and managing nonprofit multifamily units, subject to local government approval; and
- property owned by fire companies, rescue squads, community water corporations, and housing authorities.

Personal Property

- beginning July 1, 2018, if all of a person's personal property statewide had a total original cost of less than \$2,500, the personal property is exempt from personal property valuation and taxation;
- property of finance companies and savings and loan associations, generally;
- manufacturing equipment (though subject to tax in some counties at specified percentages of assessment and subject to municipal property tax, unless exempted in full or in part by the municipality);

- manufacturing inventory (though subject to municipal property tax, unless exempted in full or in part by the municipality);
- commercial inventory (though subject to municipal property tax, unless exempted in full or in part by the municipality);
- motor vehicles, small vessels, and registered aircraft;
- certain agricultural products and commodities;
- farming implements and livestock;
- personal possessions in the owner's home;
- property belonging to a home-based business with an initial purchase price of less than \$10,000; and
- intangible property.

A more detailed discussion on property tax exemptions is provided in *Volume III – Maryland's Revenue Structure* of the Legislative Handbook Series.

Property Tax Credits

Under the Tax-Property Article, local governments are subject to statewide mandatory tax credit programs and have general authority to grant tax credits for certain types of property. They also are subject to mandatory and optional tax credits specific to individual counties and municipalities. Authority to grant local tax credits must be provided in the Tax-Property Article.

Statewide Mandatory Tax Credit Programs

Statewide mandatory tax credits such as the Homeowners' (Circuit Breaker) Tax Credit and Enterprise Zone Tax Credit programs reduce local property taxes; however, with respect to the homeowners' and enterprise zone tax credits, counties are reimbursed in full or in part by the State for their revenue losses. Local governments may enact a local supplement to the Homeowners' Tax Credit Program, providing additional relief to homeowners, although they must bear the cost of the local supplement. The statewide mandatory tax credit programs are described in *Volume III – Maryland's Revenue Structure* of the Legislative Handbook Series.

Homestead Tax Credit Program

The Homestead Tax Credit Program provides tax credits against State, county, and municipal real property taxes for owner-occupied residential properties for the amount of

real property taxes resulting from an annual assessment increase that exceeds a certain percentage or “cap” in any given year. The State requires the cap on assessment increases to be set at 10% for State property tax purposes; however, local governments have the authority to lower the rate. Unlike other statewide mandated tax credit programs, the costs of the Homestead Tax Credit Program are incurred fully by the local governments. This credit tends to moderate fluctuations in property tax assessments. In fiscal 2019, 21 of the 24 local jurisdictions have assessment caps below 10% as illustrated in Exhibit 7.8. In addition, 96 of the State’s 156 municipalities had assessment caps below 10% for fiscal 2018.

The Homestead Tax Credit Program has provided significant local property tax relief in recent years. However, the extent to which the program may actually restrict the ability of a local government to raise property tax revenues depends on the locality’s need for revenues from the property tax and other legal and practical limitations. For example, a county impacted by a charter-imposed property tax limitation measure would presumably reduce tax rates to offset the impact of rising assessments in the absence of the homestead credit.

Exhibit 7.8
Homestead Assessment Caps for Maryland Counties

County	FY 2017	FY 2018	FY 2019
Allegany	4%	4%	4%
Anne Arundel	2%	2%	2%
Baltimore City	4%	4%	4%
Baltimore	4%	4%	4%
Calvert	10%	10%	10%
Caroline	5%	5%	5%
Carroll	5%	5%	5%
Cecil	4%	4%	4%
Charles	7%	7%	7%
Dorchester	5%	5%	5%
Frederick	5%	5%	5%
Garrett	5%	5%	5%
Harford	5%	5%	5%
Howard	5%	5%	5%
Kent	5%	5%	5%
Montgomery	10%	10%	10%
Prince George's	0%	1%	2%
Queen Anne's	5%	5%	5%
St. Mary's	5%	5%	5%
Somerset	10%	10%	10%
Talbot	0%	0%	0%
Washington	5%	5%	5%
Wicomico	5%	5%	5%
Worcester	3%	3%	3%

Source: State Department of Assessments and Taxation; Department of Legislative Services

Local Tax Credits

Tax credits that may be authorized by local governing bodies, against local taxation only, are specified by law for various types of property, including cemetery property; structures utilizing solar or geothermal energy saving devices; historic property undergoing restoration or preservation; manufacturing, fabricating, and assembling facilities; agricultural land subject to Maryland agricultural land preservation easements; newly constructed dwellings that are unsold or unrented; open space; tobacco barns; and other specified property. As noted previously, the Tax-Property Article also sets out numerous mandatory and optional property tax credits specific to individual counties and municipalities.

Payment Dates

Property taxes for owner-occupied residential property and certain small business property are due under a semiannual schedule. The first installment is due on July 1 and may be paid without interest on or before September 30. The second installment is due on December 1 and may be paid without interest on or before December 31. Local governments may add a service fee to the second installment to pay for administrative costs. Homeowners and eligible small business owners may elect to pay the full year's property tax on or before September 30 to avoid the service charge or interest.

Property taxes for other property are due on July 1 and may be paid without interest on or before September 30. If billed after September 1, the taxes are due without interest 30 days after the date of the tax bill.

Chapter 8. Local Income Tax

In an effort to reduce reliance on the local property tax, legislation was enacted in 1967 authorizing local governments to impose a local personal income tax. Prior to 1967, local governments received a share of the State income tax. Today, the local income tax is the third largest revenue source for county and municipal governments, accounting for 17.3% of county revenues and 8.5% of municipal revenues. Maryland is one of the few states in the nation that allow local governments to impose a local income tax.

Tax Base

Maryland taxable income is the tax base used in determining local income tax liability. Maryland taxable income is the taxpayer's federal adjusted gross income adjusted by Maryland addition and subtraction modifications, deductions, and exemptions specified under State law. Multiplying income tax rates by Maryland taxable income and then deducting applicable credits determines the State and local income tax. (For more information on the State income tax computation, see *Volume III – Maryland's Revenue Structure* of the Legislative Handbook Series.)

Tax Rate Setting Authority

Every county and Baltimore City levies a local income tax on residents. The tax is assessed as a percentage of the taxpayer's Maryland taxable income. Generally, each municipality shares in its county's income tax revenues by receiving the greater of 17.0% of the county income taxes paid by the municipality's residents, or 0.37% of the State taxable income of the municipality's residents. Local governments are authorized to set a local income tax rate of at least 1.0% but not more than 3.2%. Currently, eight jurisdictions (Baltimore City and Caroline, Howard, Montgomery, Prince George's, Queen Anne's, Somerset, and Wicomico counties) impose the maximum local income tax rate. Local income tax rates have remained relatively stable, with six jurisdictions (Anne Arundel, Calvert, Caroline, Cecil, Somerset, and Worcester counties) changing the tax rate in the past five years. Exhibit 8.1 shows the local income tax rates for calendar 2015 through 2019.

Exhibit 8.1
Local Income Tax Rates
Calendar 2015-2019

County	2015	2016	2017	2018	2019
Allegany	3.05%	3.05%	3.05%	3.05%	3.05%
Anne Arundel	2.56%	2.50%	2.50%	2.50%	2.50%
Baltimore City	3.20%	3.20%	3.20%	3.20%	3.20%
Baltimore	2.83%	2.83%	2.83%	2.83%	2.83%
Calvert	2.80%	2.80%	3.00%	3.00%	3.00%
Caroline	2.73%	2.73%	2.73%	2.73%	3.20%
Carroll	3.03%	3.03%	3.03%	3.03%	3.03%
Cecil	2.80%	2.80%	2.80%	3.00%	3.00%
Charles	3.03%	3.03%	3.03%	3.03%	3.03%
Dorchester	2.62%	2.62%	2.62%	2.62%	2.62%
Frederick	2.96%	2.96%	2.96%	2.96%	2.96%
Garrett	2.65%	2.65%	2.65%	2.65%	2.65%
Harford	3.06%	3.06%	3.06%	3.06%	3.06%
Howard	3.20%	3.20%	3.20%	3.20%	3.20%
Kent	2.85%	2.85%	2.85%	2.85%	2.85%
Montgomery	3.20%	3.20%	3.20%	3.20%	3.20%
Prince George's	3.20%	3.20%	3.20%	3.20%	3.20%
Queen Anne's	3.20%	3.20%	3.20%	3.20%	3.20%
St. Mary's	3.00%	3.00%	3.00%	3.00%	3.00%
Somerset	3.15%	3.15%	3.20%	3.20%	3.20%
Talbot	2.40%	2.40%	2.40%	2.40%	2.40%
Washington	2.80%	2.80%	2.80%	2.80%	2.80%
Wicomico	3.20%	3.20%	3.20%	3.20%	3.20%
Worcester	1.25%	1.75%	1.75%	1.75%	1.75%

Source: Comptroller of the Treasury

Administration of Tax

In conjunction with its collection of the State income tax, the Revenue Administration Division of the Office of the Comptroller collects the local individual income tax, deducts portions to pay refunds and defray administrative costs, then distributes the net revenues to the appropriate county or municipality. Distributions of withholding and estimated tax are required by State law for the first three quarters of the fiscal year to be made as often as practicable but at least quarterly. For the fourth quarter of the fiscal year, a distribution must be made for the months of April and May before the end of the fiscal year and a distribution for the month of June before August 31. In practice, the Comptroller's Office currently makes 10 distributions each fiscal year.

The counties, Baltimore City, municipalities, and special taxing districts also receive unclaimed income taxes withheld by employers or paid as declarations of estimated tax in an amount equal to their prorated share of the taxes as defined in the Annotated Code. Exhibit 8.2 shows the income tax revenue collections for local governments in fiscal 2017.

Legal Reference

Tax-General Article, Sections 2-601 through 2-610, 10-103, 10-106, and 10-201

Exhibit 8.2
Local Income Tax Revenues
Fiscal 2017

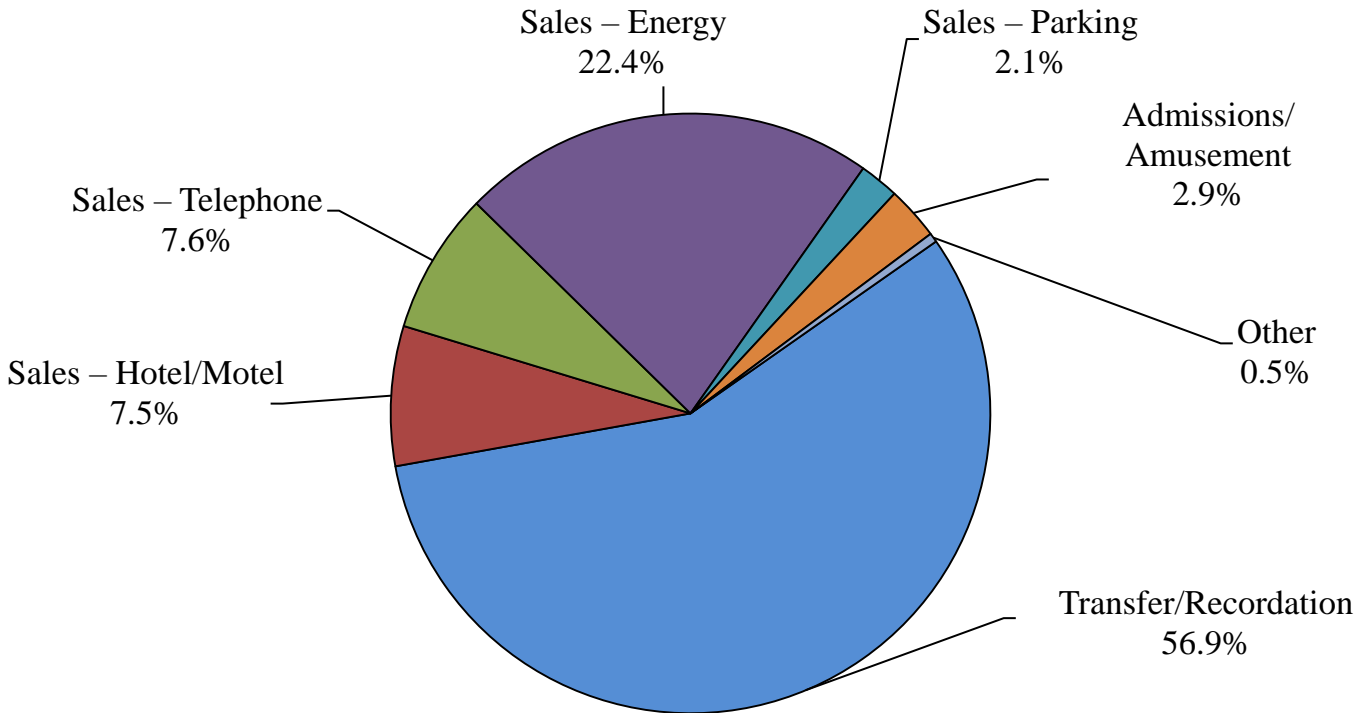
County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$26,435,017	\$2,807,020	\$29,242,037	\$405	23
Anne Arundel	491,528,416	6,653,950	498,182,366	876	5
Baltimore City	334,851,015	0	334,851,015	543	17
Baltimore	697,693,977	0	697,693,977	839	9
Calvert	77,251,931	1,398,303	78,650,234	863	8
Caroline	13,434,120	814,704	14,248,824	433	20
Carroll	150,125,019	7,746,577	157,871,596	945	4
Cecil	57,614,306	2,618,129	60,232,435	586	15
Charles	119,349,494	2,021,075	121,370,569	771	12
Dorchester	12,098,963	1,059,780	13,158,743	408	22
Frederick	202,906,047	13,460,853	216,366,900	873	6
Garrett	12,077,241	448,577	12,525,818	427	21
Harford	212,689,206	4,943,371	217,632,577	869	7
Howard	435,233,271	0	435,233,271	1,373	2
Kent	12,986,434	1,006,675	13,993,109	712	13
Montgomery	1,466,625,994	41,516,162	1,508,142,156	1,439	1
Prince George's	559,400,547	27,414,968	586,815,515	644	14
Queen Anne's	48,578,044	1,634,793	50,212,837	1,021	3
St. Mary's	88,167,869	861,452	89,029,321	796	11
Somerset	6,908,675	290,211	7,198,886	279	24
Talbot	28,007,970	2,594,528	30,602,498	823	10
Washington	78,891,902	4,079,726	82,971,628	554	16
Wicomico	50,749,316	3,434,582	54,183,898	528	18
Worcester	22,891,694	2,249,747	25,141,441	488	19
Total	\$5,206,496,468	\$129,055,183	\$5,335,551,651	\$886	

Source: *Local Government Finances in Maryland*, Department of Legislative Services

Chapter 9. Other Local Taxes

Other local taxes, which account for 6.6% of county revenues and 2.0% of municipal revenues, include transfer taxes, recordation taxes, hotel/motel taxes, sales taxes, and admissions/amusement taxes. As illustrated in Exhibit 9.1, transfer and recordation taxes generate a significant portion of the county revenues from these sources. Exhibit 9.2 shows local transfer and recordation tax collections from fiscal 2008 to 2019.

Exhibit 9.1
Other Local Taxes – County Revenues
Fiscal 2017



Source: Department of Legislative Services

Exhibit 9.2
Local Transfer and Recordation Tax Revenues
(\$ in Millions)

<u>Fiscal</u>	<u>Transfer</u>	<u>Recordation</u>	<u>Total</u>	<u>% Change</u>
2008	\$375.1	\$372.3	\$747.4	
2009	269.5	255.6	525.1	-29.7%
2010	291.6	237.9	529.6	0.8%
2011	272.1	239.6	511.8	-3.4%
2012	286.8	266.2	553.0	8.1%
2013	326.8	367.9	694.7	25.6%
2014	350.7	348.7	699.5	0.7%
2015	388.1	376.9	765.1	9.4%
2016	463.0	428.6	891.7	16.5%
2017	494.9	488.4	983.3	10.3%
2018	496.3	485.3	981.7	-0.2%
2019	474.6	470.8	945.4	-3.7%

Source: Department of Legislative Services

Local Transfer Tax

Tax Base

A local transfer tax may be imposed on instruments of writing conveying title to or a leasehold interest in real property. A charter county, a commission county, and Baltimore City must have specific authority from the General Assembly to levy a transfer tax. The General Assembly has authorized all code counties to impose a transfer tax. A distinction is made in the local codes between instruments conveying title such as a deed or certain leaseholds and instruments securing real property such as a mortgage. Transfer taxes are also imposed on the transfer of real property with a value of \$1.0 million or more when the transfer is achieved through the sale of a “controlling interest” in a specified corporation, partnership, limited liability company, limited liability partnership, or other form of unincorporated business. Controlling interest is defined as more than 80% of the total value of the stock or the interest in capital and profits.

Tax Rate Setting Authority

Eighteen counties and Baltimore City currently impose a local transfer tax. Code counties are authorized to impose the transfer tax at a maximum rate of 0.5%. The tax rates imposed in charter and commission counties vary, with the rates being established by public local laws and local ordinances. Tax rates in effect for fiscal 2019 are shown in Exhibit 9.3, along with the tax rates and revenues collected in fiscal 2017. Local transfer tax rates remained relatively constant from fiscal 2015 to 2019. Cecil County enacted a 0.5% transfer tax rate effective for fiscal 2016.

Exhibit 9.3
Local Transfer Taxes

County	County Tax Rates		FY 2017 Revenues	Per Capita Revenues	Per Capita Ranking
	FY 2017	FY 2019			
Allegany	0.5%	0.5%	\$628,188	\$9	19
Anne Arundel	1.0%	1.0%	58,436,909	103	4
Baltimore City	1.5%	1.5%	48,179,234	78	8
Baltimore	1.5%	1.5%	76,293,908	92	6
Calvert	0.0%	0.0%	0	0	20
Caroline	0.5%	0.5%	599,344	18	16
Carroll	0.0%	0.0%	0	0	20
Cecil	0.5%	0.5%	1,540,036	15	18
Charles	0.5%	0.5%	6,982,932	44	12
Dorchester	0.75%	0.75%	1,193,644	37	14
Frederick	0.0%	0.0%	0	0	20
Garrett	1.0%	1.0%	2,183,536	74	9
Harford	1.0%	1.0%	15,762,182	63	10
Howard	1.0%	1.0%	32,015,788	101	5
Kent	0.5%	0.5%	645,483	33	15
Montgomery	1.0%	1.0%	118,000,203	113	3
Prince George's	1.4%	1.4%	113,354,607	124	1
Queen Anne's	0.5%	0.5%	2,051,755	42	13
St. Mary's	1.0%	1.0%	5,954,272	53	11
Somerset	0.0%	0.0%	0	0	20
Talbot	1.0%	1.0%	4,460,772	120	2
Washington	0.5%	0.5%	2,321,470	15	17
Wicomico	0.0%	0.0%	0	0	20
Worcester	0.5%	0.5%	4,271,320	83	7
Total			\$494,875,583	\$82	

Note: Amounts include only county revenues. Municipalities are not authorized to impose these taxes.

Source: Department of Legislative Services

Tax Exemptions

State law provides for the following exemptions to the local transfer tax in code counties:

- transfers to public agencies;
- transfers between relatives of the immediate family involving assumed debt;
- transfers between spouses or former spouses, including those pursuant to divorce decrees or settlements;
- transfers between certain domestic partners;
- supplemental instruments without new consideration or debt;
- previously recorded instruments;
- judgments;
- orders of satisfaction;
- participation agreements;
- transfers of property between related business entities;
- corporate, partnership, and limited liability company conveyances to certain persons on dissolution;
- land installment contracts;
- options to purchase real property;
- deeds for prior recorded contracts of sale with same parties;
- leases of seven years or less;
- articles of merger and consolidation, under certain circumstances;
- transfers from cooperative housing corporations on termination;
- transfers from certain entities to limited liability companies;
- certain transfers to land trusts;
- transfers involving certain Maryland Stadium Authority affiliates;
- transfers of real property or an interest in real property by a personal representative of an estate without consideration;
- transfers of real property or an interest in real property to a trust or from a trust to beneficiaries without consideration;
- transfers from a certified community development financial institution; and
- transfers of a principal residence surrendered in bankruptcy to the holder of the purchase money mortgage or purchase money deed of trust.

Of the charter and commission counties that impose a transfer tax, some incorporate the exemptions applicable to code counties, while exemptions in other counties are

independently defined. Some State-mandated exemptions are applicable to all counties, including transfers between spouses and former spouses pursuant to a property settlement or divorce decree. All counties are authorized to exempt a portion of the consideration payable on owner-occupied residential property. Counties may also provide an exemption for first-time homebuyers. Certain rate limitations apply to the imposition of a local transfer tax on agricultural land, as set forth in the Annotated Code.

Administration of Tax

Generally, transfer tax revenues are collected within each county by the clerk of the court or the director of finance. Local transfer taxes on transactions involving articles of consolidation, articles of merger, other documents which evidence the merger or consolidation of foreign business entities, and transfers of controlling interest are collected by the State Department of Assessments and Taxation and remitted to the Comptroller. The Comptroller deducts the administrative costs associated with collecting the tax and distributes the remainder to the subdivision, based upon the actual collections in the subdivision.

Legal Reference

Tax-Property Article, Title 13, Subtitle 4

Recordation Tax

Tax Base

The recordation tax base is composed of the following: (1) instruments conveying title to real property – the actual consideration paid; (2) instruments that create or give notice of a security interest in real property – the principal amount of debt secured; and (3) instruments that create or give notice of a security interest in personal property – the principal amount of debt secured. Recordation taxes are also imposed on the transfer of real property with a value of \$1.0 million or more when the transfer is achieved through the sale of a “controlling interest” in a specified corporation, partnership, limited liability company, limited liability partnership, or other form of unincorporated business. Controlling interest is defined as more than 80% of the total value of the stock or the interest in capital and profits. Recordation taxes are generally imposed on an “indemnity mortgage” in the same manner as if the guarantor were primarily liable for the guaranteed loan, unless the recordation tax is paid on another instrument of writing that secures the payment of the guaranteed loan or the indemnity mortgage secures a guarantee of repayment of a loan for less than \$3.0 million. An indemnity mortgage includes any

mortgage, deed of trust, or other security interest in real property that secures a guarantee of repayment of a loan for which the guarantor is not primarily liable. Legislation passed during the 2013 session specifies the manner in which indemnity mortgages are subject to recordation taxes.

Tax Rate Setting Authority

The counties and Baltimore City are authorized to set their own recordation tax rates, which are expressed as an amount per \$500 of the consideration payable or principal amount of the debt secured. Although the counties have broad authority to set their recordation tax rates, some State-mandated rates exist. Articles of merger and articles of consolidation filed with the State Department of Assessments and Taxation, for example, are taxed at \$1.65 per \$500. Recordation tax rates in the counties for fiscal 2019 are presented in Exhibit 9.4, along with the tax rates and revenues collected in fiscal 2017. Local recordation tax rates remained fairly constant from fiscal 2015 to 2019.

Exhibit 9.4
Recordation Tax Revenues

County	County Tax Rates		FY 2017 Revenues	Per Capita Revenues	Per Capita Ranking
	FY 2017	FY 2019			
Allegany	\$3.50	\$3.50	\$1,527,249	\$21	24
Anne Arundel	3.50	3.50	50,959,008	90	8
Baltimore City	5.00	5.00	42,241,474	68	13
Baltimore	2.50	2.50	35,955,020	43	20
Calvert	5.00	5.00	9,112,106	100	7
Caroline	5.00	5.00	1,704,858	52	17
Carroll	5.00	5.00	14,241,331	85	9
Cecil	4.10	4.10	4,818,084	47	19
Charles	5.00	5.00	15,836,572	101	6
Dorchester	5.00	5.00	2,210,651	69	11
Frederick	6.00	6.00	36,210,495	146	2
Garrett	3.50	3.50	2,010,198	69	12
Harford	3.30	3.30	13,736,943	55	15
Howard	2.50	2.50	24,818,520	78	10
Kent	3.30	3.30	1,066,489	54	16
Montgomery	4.45	4.45	149,037,616	142	3
Prince George's	2.75	2.75	46,617,973	51	18
Queen Anne's	4.95	4.95	5,486,064	112	5
St. Mary's	4.00	4.00	6,198,552	55	14
Somerset	3.30	3.30	598,417	23	23
Talbot	6.00	6.00	6,980,355	188	1
Washington	3.80	3.80	6,305,265	42	21
Wicomico	3.50	3.50	3,478,001	34	22
Worcester	3.30	3.30	7,250,500	141	4
Total			\$488,401,741	\$81	

Note: Tax rate based on an amount per \$500 of the consideration payable or principal amount of the debt secured.

Source: Department of Legislative Services

Tax Exemptions

The following exemptions apply to the recordation tax:

- transfers to public agencies;
- liens on vehicles and vessels;
- transfers between relatives of the immediate family involving assumed debt;
- transfers between spouses or former spouses;
- transfers between certain domestic partners;
- supplemental instruments without new consideration or debt;
- previously recorded instruments;
- refinancing instruments;
- mechanic's or crop liens;
- purchase money mortgages and deeds of trust;
- assignments of mortgages or deeds of trust;
- Uniform Commercial Code security agreements, under certain circumstances;
- judgments;
- releases;
- orders of satisfaction;
- participation agreements;
- transfers of property between related business entities;
- corporate, partnership, and limited liability company conveyances to certain persons on dissolution;
- land installment contracts;
- options to purchase real property;
- deeds for prior recorded contracts of sale with same parties;
- leases of seven years or less;
- articles of merger and consolidation, under certain circumstances;
- transfers from cooperative housing corporations on termination;
- transfers from certain entities to limited liability companies;
- certain transfers to land trusts;
- transfers involving certain Maryland Stadium Authority affiliates;
- certain real property transfers from individuals to a limited liability company;
- transfers of real property or an interest in real property by a personal representative of an estate without consideration;

- transfers of real property or an interest in real property to a trust or from a trust to beneficiaries without consideration;
- transfers from a certified community development financial institution; and
- transfers of a principal residence surrendered in bankruptcy to the holder of the purchase money mortgage or purchase money deed of trust.

Counties are authorized to exempt a portion of the consideration payable on owner-occupied residential property and may also provide for an exemption for first-time homebuyers.

Administration of Tax

In general, recordation taxes are collected by the county tax collector or the clerk of the circuit court, as designated by the county governing body. If property for which an instrument of writing is offered for recordation is located in two or more counties, the recordation tax is paid in each county based on the ratio of the value of the property in that county to the value of the property in all counties.

The State Department of Assessments and Taxation collects the recordation tax on articles of merger, articles of consolidation, other documents which evidence the merger or consolidation of foreign business entities, and transfers of controlling interest. After deducting administrative costs, revenues collected by the department are distributed to the counties and Baltimore City in the ratio that the recordation tax collected in the subdivision in the prior fiscal year bears to the total recordation tax collected statewide in that year.

Legal Reference

Tax-Property Article, Title 12

Agricultural Land Transfer Tax

The agricultural land transfer tax is imposed in addition to State and local transfer taxes on an instrument of writing that transfers title to agricultural land. The tax funds State and local programs that help preserve farmland and woodland in Maryland. The tax is primarily collected by the counties, with the exception of the tax on instruments of writing filed with the State Department of Assessments and Taxation. Of the total collections, each county (except Montgomery) retains approximately one-third of the funds and transfers the balance to the Comptroller. Montgomery County retains two-thirds of its funds and transfers the balance to the Comptroller. The monies retained by each county

are generally used as local matching funds under the State agricultural easement program and for other approved county agricultural preservation programs.

In 1990 the General Assembly created a program giving counties the ability to retain a larger share of the agricultural land transfer tax revenues if certain requirements were met. Certification makes the county eligible for additional agricultural land preservation funding, primarily the ability to retain a greater share (75% rather than 33.3%) of agricultural land transfer tax revenue collected in the county from nonwoodland transfers. A qualifying county can receive 75% of the agricultural transfer tax revenues collected by that county (rather than 33%) and a portion of any surplus funds held by the Maryland Agricultural Land Preservation Foundation (MALPF) at the end of the fiscal year. In order to become certified to receive the additional funds, counties must develop effective farmland preservation programs that are approved by MALPF and the Maryland Department of Planning. Certification lasts for two years, and for a county to be recertified, the success of its program must be demonstrated.

Sixteen counties are currently certified by the Maryland Department of Planning and MALPF as having an effective county agricultural land preservation program: Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Cecil, Frederick, Harford, Kent, Montgomery, Prince George's, Queen Anne's, St. Mary's, Talbot, Washington, and Worcester counties. There are currently 15 counties that have been certified as having an effective land preservation program: Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Cecil, Frederick, Harford, Kent, Montgomery, Queen Anne's, St. Mary's, Talbot, Washington, and Worcester.

In order for a county to initially become certified by the Maryland Department of Planning and MALPF as having established an effective county agricultural land preservation program, the Maryland Department of Planning and MALPF must determine that (1) the proposed program is likely to be successful; (2) the county has committed to spend additional local funds on the program in an amount equal to or exceeding the amount of additional funds that will be available as a result of certification; and (3) the county has established a specified "priority preservation area" (the area or areas of the county that are targeted for agricultural land preservation) and has included a specified priority preservation area element in the county's comprehensive plan.

Certifications are effective for five years and a county may become recertified subject to specified criteria, generally that the county has maintained a successful program and has demonstrated significant progress toward achievement of preservation goals in the priority preservation area.

A county may use the additional funding available to it as a result of certification for various purposes including the purchase of easements, administrative costs, and to serve as local matching funds used in conjunction with State funding to purchase easements under MALPF's easement acquisition program.

If revenue a county receives from the agricultural land transfer tax (whether the 75% share for certified counties or the 33.3% share for noncertified counties) has not been spent or committed within six years of the county receiving the revenue, the county collector must remit that revenue to the Comptroller for deposit in the Maryland Agricultural Land Preservation Fund.

For further discussion of the agricultural land transfer tax, see *Volume III – Maryland's Revenue Structure* of the Legislative Handbook Series.

Legal Reference

Tax-Property Article, Title 13, Subtitle 3

Sales and Service Taxes

Tax Base

Currently, most counties and Baltimore City impose one or more local sales and service taxes. Hotel/motel rentals and utilities are typical examples of services subject to these taxes. Counties, municipalities, and special taxing districts are generally limited to imposing sales and use taxes on fuels, utilities, space rentals, controlled dangerous substances, and, in code counties only and to a limited extent, on food and beverages in a resort area. For example, Worcester County, a code county, imposes a 0.5% food and beverage tax within the Town of Ocean City. A county must have specific authorization from the General Assembly to impose these taxes. The authorizations in some cases allow for exemptions to be granted by the counties, restrict the use of the revenue collected, set a limit on the tax rate, or require certain procedures such as a public hearing before imposing a tax.

Tax Rate Setting Authority

These taxes generally are a percentage of the item's selling or rental price, or, in the case of fuels and utilities, a dollar amount per gallon, kilowatt hour, etc. The tax rate may be set by statute or by the county, depending upon the type of tax and the county in which it is imposed. Typically, these taxes are collected by the vendor and remitted directly to the local governments. Exhibits 9.5 through 9.7 relate to the various sales and service taxes

charged by the counties. Exhibit 9.8 shows the amount of revenue collected from these various taxes for fiscal 2017.

Legal Reference

Tax-General Article, Title 11

Public Local Laws

Local Government Article, Title 20

 Subtitle 3 (Coal Taxes)

 Subtitle 4 (Hotel Rental Tax)

 Subtitle 6 (Sales and Use Tax)

Exhibit 9.5
Hotel Rental Tax Revenues

County	County Tax Rates		FY 2017 Revenues	Per Capita Revenues	Per Capita Ranking
	FY 2017	FY 2019			
Allegany	8.0%	8.0%	\$1,092,324	\$15	9
Anne Arundel	7.0%	7.0%	13,942,004	25	5
Baltimore City	9.5%	9.5%	34,580,331	56	3
Baltimore	8.0%	8.0%	10,593,152	13	11
Calvert	5.0%	5.0%	803,327	9	17
Caroline	5.0%	5.0%	46,472	1	23
Carroll	5.0%	5.0%	324,144	2	22
Cecil	3.0%	6.0%	108,500	1	24
Charles	5.0%	5.0%	1,324,307	8	19
Dorchester	5.0%	5.0%	345,160	11	14
Frederick	5.0%	5.0%	2,088,629	8	18
Garrett	6.0%	6.0%	2,578,690	88	2
Harford	6.0%	6.0%	2,387,309	10	16
Howard	7.0%	7.0%	5,286,160	17	7
Kent	5.0%	5.0%	81,474	4	20
Montgomery	7.0%	7.0%	21,462,751	20	6
Prince George's	7.0%	7.0%	9,971,743	11	13
Queen Anne's	5.0%	5.0%	599,868	12	12
St. Mary's	5.0%	5.0%	1,146,862	10	15
Somerset	5.0%	5.0%	61,473	2	21
Talbot	4.0%	4.0%	1,340,266	36	4
Washington	6.0%	6.0%	2,353,302	16	8
Wicomico	6.0%	6.0%	1,307,327	13	10
Worcester	4.5%	4.5%	16,398,656	318	1
Total			\$130,224,231	\$22	

Source: Department of Legislative Services

Exhibit 9.6
Local Sales and Service Taxes
Fuels and Utilities
Fiscal 2018

<u>County</u>	<u>Unit Taxed</u>	<u>Tax Rate</u>
Allegany	Coal Tax	\$0.30 per ton mined
Anne Arundel	Steam	\$160 per million pounds
	Fuel Oil – nonresidential	\$0.020/\$0.008 per gallon
	Liquefied Petroleum	\$0.015 per gallon
	Coal (bituminous/anthracite)	\$2-\$4 per ton
	Natural Gas – nonresidential	\$0.008/\$0.020 per therm
	Electricity – nonresidential	\$0.0025/\$0.0020 per kilowatt hour
	Telephone – residential	8% sales tax
Baltimore City	Steam – commercial	\$0.002571 per pound
	Steam – nonprofit	\$0.001521 per pound
	Liquefied Petroleum – commercial	\$0.147431 per gallon
	Liquefied Petroleum – residential	\$0.046699 per gallon
	Natural Gas – commercial	\$0.105700 per therm
	Natural Gas – residential	\$0.031066 per therm
	Natural Gas – nonprofit	\$0.083967 per therm
	Fuel Oil – commercial	\$0.120804 per gallon
	Fuel Oil – residential	\$0.043600 per gallon
	Fuel Oil – nonprofit	\$0.104262 per gallon
	Electricity – commercial	\$0.008174 per kilowatt hour
	Electricity – residential	\$0.002617 per kilowatt hour
	Electricity – nonprofit	\$0.005732 per kilowatt hour
	Telephone – residential, nonresidential, and wireless	\$0.04-\$4.00 per line
	Centrex	\$.40 per line
Baltimore ¹	Electricity – nonresidential	\$0.00530 per kilowatt hour
	Telephone – residential and nonresidential	8% sales tax
Garrett	Natural Gas	5.5% wholesale market value
	Coal Tax	\$0.30 per ton

Exhibit 9.6 (cont.)

<u>County</u>	<u>Unit Taxed</u>	<u>Tax Rate</u>
Montgomery	Liquefied Petroleum	\$0.02056-\$0.03679 per pound
	Natural Gas – residential	\$0.09515 per therm
	Natural Gas – nonresidential	\$0.17026 per therm
	Electricity – residential	\$0.01106 per kilowatt hour
	Electricity – nonresidential	\$0.01978 per kilowatt hour
	Fuel Oil – residential	\$0.13637-\$0.15090 per gallon
	Fuel Oil – nonresidential	\$0.24399-\$0.26999 per gallon
	Monthly tax per land line/wireless	\$2.00/\$3.50 per line
Prince George's	Natural Gas – residential and nonresidential	\$0.057534 per therm
	Fuel Oil – residential and nonresidential	\$0.178664 per gallon
	Electricity – residential and nonresidential	\$.009908 per kilowatt hour
	Propane	\$0.152840 per gallon
	Telephone – residential, nonresidential, and wireless	9% sales tax
St. Mary's	Fuel Oil	1.25% per gallon
	Liquefied Petroleum	1.25% per pound
	Electricity	1.25% per kilowatt hour
	Natural Gas	1.25% of sales

¹Baltimore County electricity rate for large manufacturers is \$.00375 per kilowatt hour and capped at 160 million kilowatt hours.

Source: Maryland Association of Counties and Department of Legislative Services Budget and Tax Rate Survey, August 2017

Exhibit 9.7
Other Local Sales and Service Tax Rates
Fiscal 2018

<u>County</u>	<u>Unit Taxed</u>	<u>FY 2018</u>
Anne Arundel	Parking Lots	\$0.60 vehicle per day
Baltimore City	Parking Lots	20% of gross receipts
Baltimore City ¹	Beverages	\$0.05 per container
Montgomery	Bag Tax	\$0.04 per bag
Somerset	Boat Slips	\$125 per quarter
Talbot	Boat Slips	\$450-\$550 per year
Wicomico	Boat Slips	Prices vary with size and location
Worcester	Food Tax	0.5% collected from Ocean City resort area

¹No longer a general fund revenue source; allocated to the Public School Construction and Renovation Fund.

Source: Maryland Association of Counties and Department of Legislative Services Budget and Tax Rate Survey, August 2017

Exhibit 9.8
Local Sales and Service Taxes
Fiscal 2017

County	Telephone	Energy	Parking	Boat Slips	Other	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$0	\$100,000	\$0	\$0	\$0	\$100,000	\$1	11
Anne Arundel	6,100,000	6,170,000	5,900,000	0	0	18,170,000	32	4
Baltimore City	34,424,617	40,426,365	30,978,510	0	4,998,000	110,827,492	180	2
Baltimore	8,839,949	14,398,433	0	0	0	23,238,382	28	5
Calvert	0	0	0	0	0	0	0	13
Caroline	0	0	0	0	0	0	0	13
Carroll	0	0	0	0	0	0	0	13
Cecil	0	0	0	0	0	0	0	13
Charles	0	0	0	0	0	0	0	13
Dorchester	0	0	0	0	0	0	0	13
Frederick	0	0	0	0	0	0	0	13
Garrett	0	76,500	0	0	0	76,500	3	8
Harford	0	0	0	0	0	0	0	13
Howard	0	0	0	0	0	0	0	13
Kent	0	0	0	0	0	0	0	13
Montgomery	50,309,014	203,990,141	0	0	2,280,000	256,579,155	245	1
Prince George's	32,289,700	121,172,200	0	0	0	153,461,900	168	3
Queen Anne's	0	0	0	0	0	0	0	13
St. Mary's	0	1,300,000	0	0	0	1,300,000	12	7
Somerset	0	0	0	59,400	0	59,400	2	9
Talbot	0	0	0	60,000	0	60,000	2	10
Washington	0	0	0	0	0	0	0	13
Wicomico	0	0	0	108,000	0	108,000	1	12
Worcester	0	0	0	0	1,050,000	1,050,000	20	6
Total	\$131,963,280	\$387,633,639	\$36,878,510	\$227,400	\$8,328,000	\$565,030,829	\$94	

Source: Maryland Association of Counties; Department of Legislative Services

Admissions and Amusement Tax

Tax Base

The counties and municipalities are authorized to tax the gross receipts derived from:

- the charge for admission to any place furnishing a performance such as a movie theater or sports stadium;
- the use or rental of sporting or recreational facilities;
- the merchandise, refreshments, or services sold or served in connection with entertainment at a nightclub or a room in a hotel, restaurant, hall, or other place where dancing privileges, music, or other entertainment is provided;
- use of a game of entertainment; and
- use or rental of recreational or sports equipment.

Counties and municipalities may also impose a tax on admission for a reduced charge or at no charge to a place that otherwise charges admission. An admissions and amusement tax may not be imposed in a municipality by a county if the municipality already imposes a similar tax or specifically exempts any gross receipts from the admissions and amusement tax.

Special Allowances

The Maryland Stadium Authority is authorized to impose a tax on the gross receipts derived from any admissions and amusement charge for a facility owned or leased by the stadium authority. The stadium authority also may impose an additional tax for each person provided with a free admission or an admission at a reduced charge to a stadium authority facility. The stadium authority began collecting these taxes in 1992, when the Baltimore Orioles professional baseball club began playing at Camden Yards. Currently, these taxes are imposed at both stadiums at Camden Yards (Orioles Park at Camden Yards and the M&T Bank Stadium for the Baltimore Ravens professional football team).

Tax Rate Setting Authority

Each unit of local government sets its own single tax rate or range of rates. This rate is expressed as a percentage of gross receipts, up to a maximum rate of 10%. The Maryland Stadium Authority may impose an admissions and amusement tax at its facilities of up to 8%.

In those instances where gross receipts are subject to both a local and a stadium authority admissions and amusement tax, the stadium authority tax takes precedence. The

stadium authority imposes the maximum 8% rate at both stadiums at Camden Yards. Therefore, Baltimore City may only impose a maximum 2% admissions and amusement tax on those receipts.

The local admissions and amusement tax is further limited by the State sales and use tax. The maximum tax rate on the gross receipts subject to both the State sales and use tax and the local admissions and amusement tax may not exceed 11%. Therefore, if the 6% State sales and use tax applies to these receipts, the local admissions and amusement tax may not exceed 5%. This limitation on the local tax arises primarily on performances accompanied by some type of food service (*e.g.*, dinner theaters).

Counties, municipalities, and the stadium authority are authorized to classify different types of activities, and the rate of tax need not be the same for each type. If a municipal government does not levy a tax, the county tax, if any, applies within the municipality. All counties (with the exception of Caroline and Frederick counties), Baltimore City, and most municipalities impose an admissions and amusement tax. Fiscal 2019 tax rates levied in Maryland counties are shown in Exhibit 9.9, along with tax rates and revenues collected in fiscal 2017. Admissions and amusement tax rates remained relatively constant from fiscal 2015 to 2019.

Exhibit 9.9
Admissions and Amusement Tax Revenues

County	County Tax Rates		FY 2017 Revenues	Per Capita Revenues	Per Capita Ranking
	FY 2017	FY 2019			
Allegany	7.5%	7.5%	\$234,175	\$3	9
Anne Arundel	10.0%	10.0%	8,357,604	15	3
Baltimore City	10.0%	10.0%	9,050,608	15	4
Baltimore	10.0%	10.0%	6,569,407	8	7
Calvert	1.0%	1.0%	26,181	0	21
Caroline	0.0%	0.0%	0	0	23
Carroll	10.0%	10.0%	351,742	2	13
Cecil	6.0%	6.0%	103,472	1	17
Charles	10.0%	10.0%	892,398	6	8
Dorchester	0.5%	0.5%	5,082	0	22
Frederick	0.0%	0.0%	0	0	23
Garrett	6.0%	6.0%	862,063	29	1
Harford	5.0%	5.0%	554,310	2	12
Howard	7.5%	7.5%	2,915,333	9	6
Kent	4.5%	4.5%	17,867	1	18
Montgomery	7.0%	7.0%	3,371,013	3	10
Prince George's	10.0%	10.0%	15,002,686	16	2
Queen Anne's	5.0%	5.0%	156,872	3	11
St. Mary's	2.0%	2.0%	148,321	1	16
Somerset	4.0%	4.0%	15,052	1	19
Talbot	5.0%	5.0%	18,777	1	20
Washington	5.0%	5.0%	265,722	2	14
Wicomico	6.0%	6.0%	177,480	2	15
Worcester	3.0%	3.0%	544,237	11	5
Total			\$49,640,402	\$8	

Source: Department of Legislative Services

Tax Exemptions

The following are exempt from the admissions and amusement tax in all counties and municipalities:

- merchandise, refreshments, or a service sold or served at places where dancing is prohibited and the only entertainment is mechanical music, radio, or television;
- merchandise, refreshments, or a service from which the gross receipts are used exclusively for a charitable, religious, or educational purpose; a volunteer fire company or nonprofit rescue squad; or a fraternal, service, or veterans' organization;
- merchandise, refreshments, or a service from which the gross receipts are used exclusively for improvement, maintenance, or operation of an agricultural fair if no net earnings inure to the benefit of any stockholder or member of the association that conducts the fair;
- concerts and theatrical events of nonprofit groups organized to present annual series of musical concerts and nonprofit cultural organizations that receive direct appropriations of State funds through the Maryland State Arts Council;
- admission to live boxing or wrestling matches;
- the use of bowling alleys; and
- admission to, or use of, charter fishing boats.

Some additional exemptions specific to certain counties are set out under State law. For example, Calvert County may not charge an admissions and amusement tax on any activity that is also subject to the State sales and use tax. Counties and municipalities are also given authorization to grant exemptions in a few additional situations.

Administration of Tax

Admissions and amusement taxes, as determined by State reports received from vendors, are collected by the Comptroller's Revenue Administration Division. After deducting administrative costs, net revenues are remitted quarterly to the appropriate jurisdiction on the basis of place of collection (*e.g.*, county, municipality, or the Maryland Stadium Authority).

If the Maryland Stadium Authority and a local government both tax a reduced-charge or free admission, 80% of the revenue is distributed to the stadium authority and 20% to the local governing body in which the facility is located. If the local government does not impose this modified tax, all revenue is distributed to the stadium authority.

Legal Reference

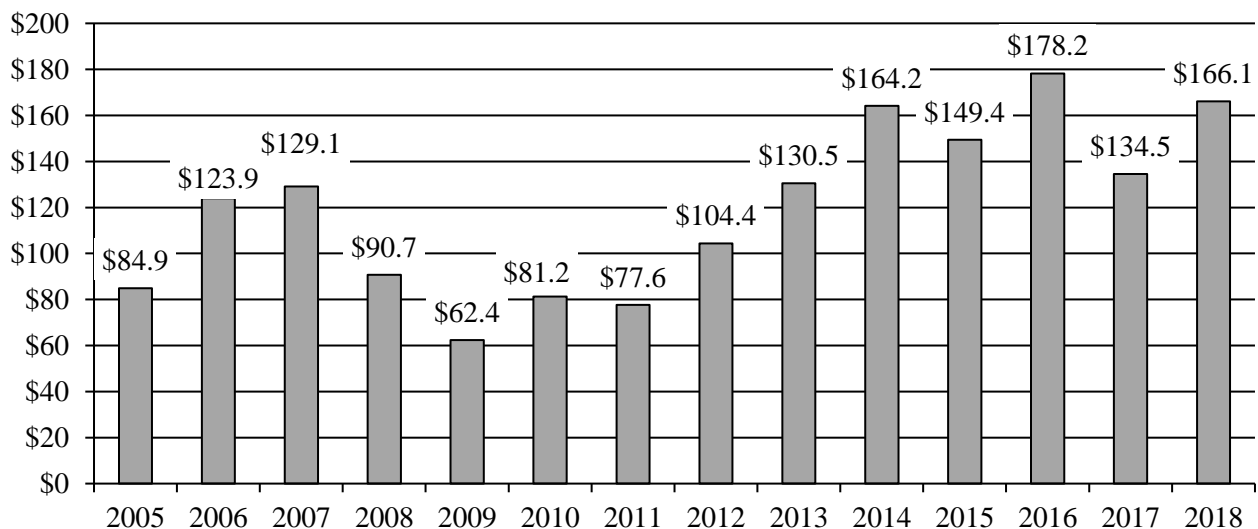
Tax-General Article, Title 2, Subtitle 2, and Title 4

Chapter 10. Development Impact Fees and Excise Taxes

Managing growth continues to be an issue confronting local governments in Maryland. In order to better manage growth, local governments have several tools that they may use, including imposing development impact fees and excise taxes. Development impact fees and excise taxes are charges on new development used to fund capital programs and services necessitated by new growth. These development charges allow local governments to shift the costs of financing new public facilities from existing taxpayers to those responsible for the development. In many situations, the use of such development charges may eliminate the need for jurisdiction-wide tax increases.

Fourteen counties in Maryland impose development impact fees or excise taxes, with estimated fiscal 2018 collections totaling \$166.1 million. After generally increasing for a number of years through fiscal 2007, revenues decreased considerably in fiscal 2008 and 2009. More recently, revenues have increased again (Exhibit 10.1).

Exhibit 10.1
Development Impact Fee and Excise Tax Revenue
Fiscal 2005-2018
(\$ in Millions)



Source: Department of Legislative Services

Development Impact Fees

A development impact fee is a regulatory measure designed to fund facilities specifically required by new development projects in order to mitigate the impact of such development on infrastructure or public facilities. However, there must be a reasonable connection between the amount of the impact fee imposed and the actual cost of providing facilities to the properties assessed. In order to justify the imposition of an impact fee, a jurisdiction must conduct a study that measures the effects that new development will have on public facilities. The amount of an impact fee is subject to judicial review. Moreover, the revenue from the fee must be dedicated to substantially benefit the assessed properties. Thus, a county cannot collect an impact fee in one geographic area and spend the funds in another area.

Development Excise Taxes

A development excise tax is another means of raising revenue from new development. Unlike a regulatory impact fee, the amount of an excise tax does not have to be closely related to the actual cost of providing public facilities to serve new development. In addition, excise tax revenues do not have to be spent to specifically benefit the properties that are taxed but may generally be spent throughout the county.

Imposition and Administration

In counties that impose development impact fees and excise taxes, the charges are collected by the county and are often required to be paid before a building permit or zoning certificate is issued. Municipalities may, in some cases, assist counties in the collection of the charges within their jurisdictions. Exhibit 10.2 shows the counties that impose development impact fees and excise taxes, corresponding legislative references, fiscal 2018 rates, and fiscal 2018 estimated revenues. In a given county, other charges imposed on new development (while not accounted for here as development impact fees or excise taxes) may also be directed partially or wholly toward new or expanded facilities (*e.g.*, water/sewer system development charges or connection charges).

Exhibit 10.2
Maryland Counties with Development Impact Fees and Excise Taxes
Fiscal 2018

County	Type	Legislative Reference	Rate Per Dwelling ¹	Estimated Revenues
Anne Arundel ²	Impact Fee	Ch. 350 of 1986	\$12,963	\$16,300,000
Calvert	Excise Tax	Ch. 232 of 2001	12,950	3,333,586
Caroline ³	Excise Tax	Ch. 565 of 1993 Ch. 566 of 1993 Ch. 538 of 2004	5,000	75,000
Carroll	Impact Fee	Ch. 108 of 1987	533	80,466
Charles	Excise Tax	Ch. 476/586 of 2002	15,229	9,427,178
Dorchester ^{4, 5}	Excise Tax	Ch. 401 of 2004	0	0
Frederick ⁶	Impact Fee/Excise Tax	Ch. 468 of 1990 Ch. 690 of 2001	15,515	13,393,656
Harford	Impact Fee	Ch. 389 of 2004	6,000	2,500,000
Howard ⁷	Excise Tax/Surcharge	Ch. 285 of 1992 Ch. 420 of 2004	2.44/sq. ft.	15,251,380
Montgomery ^{4,8}	Impact Tax	Ch. 808 of 1963 Ch. 707 of 1990	45,159	65,800,000
Prince George's ^{4, 9}	Surcharge	Ch. 66 of 1995 Ch. 431 of 2003 Ch. 594 of 2005	23,513	35,760,700
Queen Anne's	Impact Fee	Ch. 532 of 1992	5.29/sq. ft.	1,770,000
St. Mary's	Impact Fee	Ch. 814 of 1974	5,500	1,470,000
Talbot ⁴	Impact Fee	Ch. 642 of 1991	7,427	318,000
Washington	Excise Tax	Ch. 468 of 2003 Ch. 598 of 2005 Ch. 533 of 2008	1.00/sq. ft.	600,000
Total				\$166,079,966

¹The rates shown are generally those applicable to single-family detached dwellings.

²Rate for a 2,000-2,499 square foot residential unit. Residential rates vary by square footage.

³A \$750 excise tax for agricultural land preservation also applies to new lots created by subdivision in a "rural district."

⁴These counties have one or more additional rate(s) applicable to different areas of the county.

⁵The county development excise tax is suspended through June 30, 2020.

⁶Rate per dwelling shown represents the public school and library impact fee total.

⁷Rate per dwelling shown represents the total of the roads tax amount (\$1.18/sq. ft.) and the school surcharge amount (\$1.26/sq. ft.).

⁸Rate per dwelling shown represents \$23,062 for schools and \$22,097 for transportation.

⁹Rate per dwelling shown represents \$15,972 for school facilities and \$7,541 for public safety.

Source: Department of Legislative Services

Governmental Uses

Public services funded by development impact fees and excise taxes include public school construction, libraries, community colleges, transportation, public safety, parks and recreation, and utilities.

Statutory restrictions on allowable uses of the impact fee and excise tax revenue vary from county to county. Use of the revenue for creation or expansion of public facilities rather than for maintenance or operations of existing facilities is often required. Some county ordinances also require, to one extent or another, that the additional or expanded facilities benefit the development from which the revenue was generated or benefit a defined district or area in which the development is located.

Legal Authority

Local governments must have authority from the General Assembly in order to impose a development impact fee or excise tax. Code home rule counties are authorized as a group to impose specified impact fees and excise taxes and a number of other counties have specific authorizations from the General Assembly.

Tax Rate Setting Authority

The impact fee amounts and excise tax rates are generally established in the county implementing ordinance for the impact fee or excise tax or by county resolution. In some cases, limits on the fees or rates are set in the General Assembly authorization for the fee or tax. Different fees and rates often apply to different types of development and, in some cases, development in different areas of the county. Exemptions and/or waivers or deferrals are often available for certain types of development, such as affordable housing. A number of counties also allow certain conveyances or dedications of land or construction of public facilities by the developer to substitute for payment of the fee or tax.

Legal Reference

Local Government Article, Sections 1-101, 1-1308, 5-102, and 20-701 through 20-806

Public Local Laws

Chapter 11. Service Charges

Service Charges

Service charges are revenues collected by local governments in return for providing certain services. They are the fourth largest source of local revenue for counties, accounting for 12.0% of total county revenues in fiscal 2017 and 18.1% of county own-source revenues. Service charges are the second largest revenue source for municipalities, comprising 30.9% of total municipal revenues in fiscal 2017 and 35.9% of municipal own-source revenues. Service charges supporting various governmental functions include the following:

- general government – court costs, zoning and subdivision fees, sheriff fees, sales of maps and publications, and developer impact fees;
- public safety – special police and fire services and correction and protective inspection fees;
- highways and streets – special assessments, street repairs, public parking facilities, and street lighting charges;
- water, sanitation, and waste removal – water connection and service, sewerage collection and disposal, waste collection and disposal, and street cleaning;
- health – vital statistics (copies of birth certificates, death certificates, etc.), health inspection, hospital and clinic fees, and animal control and shelter fees;
- social services – fees from senior citizen centers, etc.;
- education – tuition and fees charged by community colleges and activities fees (for interscholastic athletic programs, etc.);
- recreation – golf, swimming pool, playground, concessions, and rental fees;
- library – fees and fines; and
- other services – power service, net income from liquor dispensaries, airport service, and transit services.

In fiscal 2017, local governments collected \$4.1 billion in service charges as shown in Exhibit 11.1. The counties collected approximately 88.4% of the service charges, with the municipalities accounting for the remainder. Approximately 64.1% of service charges at the county level are for water and wastewater services, while 10.3% are for community colleges and 5.1% are for transportation. At the municipal level, sewer, water, and solid waste charges account for the majority of service charge revenues.

9-1-1 Emergency Communication System Fee

All counties in Maryland are required to have an operational enhanced 9-1-1 system (E 9-1-1) that provides automatic number and location identification. Each subscriber to a 9-1-1-accessible telephone or wireless service pays a 25-cent per month 9-1-1 fee under State law to help pay for 9-1-1 system enhancements. In addition, a prepaid wireless E 9-1-1 fee (60 cents per retail transaction) is collected by the seller of prepaid wireless devices at the point of sale. Each county may, by ordinance or resolution enacted or adopted after a public hearing, impose an additional monthly charge not to exceed 75 cents to supplement county spending for 9-1-1 maintenance and operations. All counties and Baltimore City have established the additional charge of 75 cents. The statewide fee and additional county charges are collected by the telephone companies and other 9-1-1 service carriers and remitted to the Comptroller. The money is held in the 9-1-1 Trust Fund, which includes separate accounts for each county and is disbursed in accordance with the State budget. The 9-1-1 fees and revenues collected for each county during fiscal 2017 are presented in Exhibit 11.2.

Exhibit 11.1
Service Charges Revenues
Fiscal 2017

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$24,859,200	\$31,220,833	\$56,080,033	\$777	6
Anne Arundel	328,329,830	32,555,524	360,885,354	634	9
Baltimore City	543,537,366	0	543,537,366	881	5
Baltimore	384,098,721	0	384,098,721	462	16
Calvert	38,095,521	4,433,792	42,529,313	467	15
Caroline	4,773,921	5,670,788	10,444,709	318	24
Carroll	34,548,478	22,916,768	57,465,246	344	22
Cecil	27,092,849	16,945,067	44,037,916	429	17
Charles	83,755,595	7,325,631	91,081,226	579	10
Dorchester	7,576,177	10,517,940	18,094,117	561	11
Frederick	173,401,058	53,201,965	226,603,023	914	3
Garrett	12,377,369	2,426,511	14,803,880	504	14
Harford	74,919,236	23,023,246	97,942,482	391	19
Howard	162,880,306	0	162,880,306	514	13
Kent	3,092,736	3,736,594	6,829,330	347	21
Montgomery	897,579,984	46,599,087	944,179,071	901	4
Prince George's	615,416,013	15,611,076	631,027,089	693	7
Queen Anne's	15,668,280	3,251,727	18,920,007	385	20
St. Mary's	45,438,100	2,085,442	47,523,542	425	18
Somerset	6,816,989	1,982,066	8,799,055	341	23
Talbot	12,267,150	52,436,559	64,703,709	1,739	1
Washington	37,272,231	59,390,373	96,662,604	645	8
Wicomico	32,827,352	22,633,121	55,460,473	541	12
Worcester	25,610,687	53,161,263	78,771,950	1,529	2
Total	\$3,592,235,149	\$471,125,373	\$4,063,360,522	\$674	

Source: *Local Government Finances in Maryland*, Department of Legislative Services

Exhibit 11.2
9-1-1 Emergency Communications System Revenues

County	FY 2017 Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$375,073	\$5	23
Anne Arundel	4,143,172	7	5
Baltimore City	3,405,594	6	18
Baltimore	6,145,935	7	2
Calvert	617,647	7	10
Caroline	171,763	5	22
Carroll	1,091,118	7	11
Cecil	599,586	6	16
Charles	1,125,675	7	6
Dorchester	178,032	6	19
Frederick	1,618,042	7	12
Garrett	190,157	6	14
Harford	1,743,236	7	9
Howard	2,328,955	7	3
Kent	128,040	7	13
Montgomery	7,450,689	7	7
Prince George's	6,679,678	7	4
Queen Anne's	312,481	6	15
St. Mary's	605,470	5	20
Somerset	104,412	4	24
Talbot	262,966	7	8
Washington	837,973	6	17
Wicomico	549,606	5	21
Worcester	428,211	8	1
Total	\$41,093,511	\$7	

Source: Maryland Association of Counties; Department of Legislative Services

Chapter 12. Other Local Revenues

Licenses and Permits

In fiscal 2017, local governments collected \$332.0 million from licenses and permits. Exhibit 12.1 shows the total fiscal 2017 license and permit fee revenues collected by county and municipal governments. Types of license and permit revenues include the following:

- street privileges and permits – revenues derived from the private use of public streets and highways, such as parking permits;
- beer, wine, and liquor licenses – revenues from the various classes of beer, wine, and liquor licenses issued by the clerks of the circuit courts or local boards of license commissioners;
- amusement – revenues from licensing of various amusement places, events, and devices such as bingo games, arcades, carnivals, billiard tables, juke boxes, and coin-operated amusement devices;
- traders – revenues from licensing individuals or corporations that barter, offer for sale, or sell any goods or merchandise in the State;
- occupational – revenues from licensing of persons or business organizations that engage in specialized trades or occupations such as bondsmen, electricians, peddlers and transient vendors, plumbers, taxicabs, and towing companies;
- animal – revenues from the licensing of animals, commercial kennels, pet shops, and petting zoos;
- building and equipment – revenues from licenses and permits issued in connection with building construction and equipment, such as plan examination fees, building permit and inspection fees, soil test fees, electrical permit and inspection fees, and plumbing permits;
- marriage – local government’s share of revenues from marriage license fees; and
- cable television – revenues from the licensing and franchising of cable television operators, such as application fees, renewal fees, and franchise fees.

Exhibit 12.1
License and Permit Revenues
Fiscal 2017

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$672,859	\$745,849	\$1,418,708	\$20	20
Anne Arundel	28,664,465	3,466,783	32,131,248	56	6
Baltimore City	45,685,970	0	45,685,970	74	3
Baltimore	25,766,537	0	25,766,537	31	12
Calvert	1,994,785	197,707	2,192,492	24	18
Caroline	224,509	203,174	427,683	13	23
Carroll	3,246,095	1,109,795	4,355,890	26	17
Cecil	2,169,234	617,636	2,786,870	27	15
Charles	4,714,309	392,360	5,106,669	32	10
Dorchester	415,089	499,548	914,637	28	14
Frederick	5,531,434	3,921,463	9,452,897	38	8
Garrett	313,205	81,754	394,959	13	22
Harford	4,567,960	903,947	5,471,907	22	19
Howard	13,505,520	0	13,505,520	43	7
Kent	382,621	222,771	605,392	31	13
Montgomery	81,886,130	11,353,517	93,239,647	89	2
Prince George's	58,128,192	9,165,125	67,293,317	74	4
Queen Anne's	1,123,072	196,314	1,319,386	27	16
St. Mary's	1,654,929	122,074	1,777,003	16	21
Somerset	208,342	124,122	332,464	13	24
Talbot	1,534,397	770,206	2,304,603	62	5
Washington	3,321,151	2,057,841	5,378,992	36	9
Wicomico	1,402,495	1,912,458	3,314,953	32	11
Worcester	1,964,838	4,822,786	6,787,624	132	1
Total	\$289,078,138	\$42,887,230	\$331,965,368	\$55	

Source: *Local Government Finances in Maryland*, Department of Legislative Services

A summary of the major types of licenses follows.

Alcoholic Beverage Licenses

The General Assembly provides for a myriad of beer, wine, and liquor licenses, with requirements and fees established in statute. Licenses for the sale of alcoholic beverages generally are issued either by the clerk of the circuit court or the local board of license commissioners. Manufacturer's (wineries, distilleries, etc.) and wholesaler's licenses are issued by the State Comptroller.

License fees from alcoholic beverage sales licenses are used for the general purposes of the county, although State law provides in a number of counties that the salaries and expenses of the Board of License Commissioners first be paid. In some cases, a portion of the fees are remitted to the municipality in which the respective business that paid the fee is located.

Building Permits

State law generally authorizes all counties and Baltimore City to regulate the construction of buildings, including the issuance of building permits. Municipalities are also authorized to regulate construction of buildings and issue building permits. Builders may be required to obtain building permits from both the applicable county and municipality. Fees for these permits are established by the local government. The local offices of building and planning or licensing and permits handle the administration of local building permits.

Business Licenses

Local business licenses cover a wide spectrum, ranging from traders to dry cleaners to outdoor music festivals. Fees for these licenses are set in statute or determined by the local government.

Trader's Licenses

Any individual or corporation that barter, offers for sale, or sells any goods or merchandise in the State must have a trader's license. Exempt from this requirement are (1) a grower or manufacturer; (2) a nonresident traveling salesperson, sample merchant, or manufacturing business while selling to or soliciting an offer from a licensed trader in the State; or (3) an individual who sells private goods on his or her own property no more than once annually for a period not exceeding 14 consecutive days. Exhibitors at certain shows also do not need a trader's license for a show if the individual provides an affidavit to the promoter stating that the exhibitor (1) receives less than 10% of his or her income from

selling the types of goods on display and sold at the show and (2) has not participated in more than three shows during the previous 365 days.

License fees are based on the value of the applicant's stock in trade. Fees are collected by the clerks of the circuit courts and distributed to the jurisdiction in which they are collected.

Marriage Licenses

The licensing of marriages is solely a function of the counties and Baltimore City and is administered by the clerk of each circuit court. The standard fee for a marriage license is \$10. In addition, counties can collect additional fees that are largely used to fund domestic violence programs. The maximum rate for these additional fees, ranging from \$15 to \$75 depending on the county, is set in State law. The clerk retains a portion of the fee and the remainder is returned to the county.

Cable Television Licenses and Fees

These licenses and fees encompass a wide variety of types and forms. Examples include processing and administering fees from cable television franchise applicants that are granted or renewed a franchise and franchise fees to use public ways. State statute authorizes the counties and municipalities to grant cable television franchises and impose related fees or charges. Local ordinances establish the rates in each jurisdiction.

Fines and Forfeitures

This revenue source consists of fines and forfeitures credited to a local government. Examples include:

- court-ordered restitution and miscellaneous fines;
- sheriff revenue;
- drug forfeitures;
- gambling contraband;
- liquor board fines;
- red light and speed camera fines; and
- parking fines.

In fiscal 2017, local governments collected \$110.8 million in fines and forfeitures (see Exhibit 12.2). Of this amount, counties collected \$78.0 million (70.3%), and municipalities collected \$32.9 million (29.7%).

Administration

Fines are assessed by the appropriate local agency such as the police or fire department. Payments are made in the name of the county or municipality and deposited in the appropriate fund. Forfeitures are handled by the appropriate agency, typically a public safety agency. Noncash assets are liquidated and the proceeds are credited to the appropriate fund.

Exhibit 12.2
Fine and Forfeiture Revenues
Fiscal 2017

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$80,907	\$42,725	\$123,632	\$2	20
Anne Arundel	1,482,024	256,048	1,738,072	3	16
Baltimore City	8,644,616	0	8,644,616	14	6
Baltimore	7,055,967	0	7,055,967	8	11
Calvert	659,664	42,217	701,881	8	13
Caroline	35,881	3,130	39,011	1	23
Carroll	71,866	194,811	266,677	2	21
Cecil	100,498	34,859	135,357	1	22
Charles	3,977,951	82,542	4,060,493	26	3
Dorchester	139,182	89,558	228,740	7	14
Frederick	288,871	2,778,604	3,067,475	12	7
Garrett	27,477	1,065	28,542	1	24
Harford	272,391	403,820	676,211	3	17
Howard	4,481,676	0	4,481,676	14	5
Kent	44,233	156,780	201,013	10	8
Montgomery	34,561,859	9,818,254	44,380,113	42	1
Prince George's	15,322,129	15,803,498	31,125,627	34	2
Queen Anne's	219,257	51,360	270,617	6	15
St. Mary's	289,646	0	289,646	3	18
Somerset	10,359	37,976	48,335	2	19
Talbot	1,442	307,312	308,754	8	12
Washington	105,537	1,203,551	1,309,088	9	9
Wicomico	25,293	849,319	874,612	9	10
Worcester	54,882	724,233	779,115	15	4
Total	\$77,953,608	\$32,881,662	\$110,835,270	\$18	

Source: *Local Government Finances in Maryland*, Department of Legislative Services

Miscellaneous Revenues

Miscellaneous revenues include amounts received from the use of money, rents and concessions, and other revenues not categorized elsewhere. They include the following:

- general operating government – investment earnings; rents and concessions on buildings, equipment, facilities, and land; contributions and donations from individuals or organizations; sales of property (other than tax sales); and any other miscellaneous revenues;
- board of education – transportation fees, transfers of funds from school units in other states, and other miscellaneous education revenues;
- community college – revenue from auxiliary enterprises (bookstores, cafeterias, etc.); interest and dividends on money, scholarships, and gifts; and other miscellaneous community college revenues; and
- library – donations and contributions, interest on money, and other miscellaneous library revenues.

Administration

Miscellaneous revenues are generally collected by the appropriate local agency. These revenues are subsequently remitted to the jurisdiction's financial officer for credit to the appropriate fund. In fiscal 2017 local governments received \$829.9 million in miscellaneous revenues as shown in Exhibit 12.3. Of this amount, counties received \$764.7 million (92.1%) and municipalities received \$65.3 million (7.9%). Of the revenues received at the county level, \$238.3 million went to the local boards of education, \$31.9 million went to the local community colleges, and \$14.5 million went to local library boards.

Exhibit 12.3
Miscellaneous Revenues
Fiscal 2017

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$10,521,058	\$1,128,740	\$11,649,798	\$161	6
Anne Arundel	52,282,445	2,917,821	55,200,266	97	20
Baltimore City	89,690,755	0	89,690,755	145	11
Baltimore	97,963,344	0	97,963,344	118	15
Calvert	12,859,242	263,578	13,122,820	144	12
Caroline	4,115,320	902,309	5,017,629	153	9
Carroll	21,526,932	4,079,824	25,606,756	153	8
Cecil	9,496,500	1,806,794	11,303,294	110	16
Charles	28,190,793	347,520	28,538,313	181	2
Dorchester	3,132,864	270,539	3,403,403	105	19
Frederick	27,880,068	14,159,707	42,039,775	170	5
Garrett	4,236,362	270,652	4,507,014	154	7
Harford	41,193,899	3,089,455	44,283,354	177	3
Howard	62,719,324	0	62,719,324	198	1
Kent	1,020,565	751,694	1,772,259	90	21
Montgomery	145,370,297	13,249,043	158,619,340	151	10
Prince George's	114,815,554	4,733,754	119,549,308	131	13
Queen Anne's	5,673,710	404,941	6,078,651	124	14
St. Mary's	8,963,540	788,240	9,751,780	87	23
Somerset	1,827,453	119,196	1,946,649	75	24
Talbot	2,680,392	3,743,367	6,423,759	173	4
Washington	9,842,280	6,315,378	16,157,658	108	17
Wicomico	6,047,045	2,989,704	9,036,749	88	22
Worcester	2,609,588	2,941,179	5,550,767	108	18
Total	\$764,659,330	\$65,273,435	\$829,932,765	\$138	

Source: *Local Government Finances in Maryland*, Department of Legislative Services

Chapter 13. Local Debt Measures

Local governments in Maryland may incur various kinds of debt – general obligation, revenue/enterprise, State/federal loans, and short-term. Long-term debt generally serves as a funding source for capital projects such as highways, school facilities, sewer and water facilities, parking facilities, parks and recreation facilities, housing and urban development projects, and county buildings. Short-term debt usually serves as a cash management tool. Local debt is authorized by the General Assembly, local legislation, voter approval, or administrative action. Total indebtedness of a local government may be subject to legal limitations such as a percentage of the assessable property base. As of June 30, 2017, local debt outstanding amounted to approximately \$24.1 billion. From fiscal 2012 to 2017, local debt increased by 26.1%, as shown in Exhibit 13.1. This chapter will review aspects of locally assumed debt.

Exhibit 13.1 Maryland Local Government Debt Outstanding Fiscal 2012 and 2017 (\$ in Millions)

	<u>FY 2012</u>	<u>FY 2017</u>	<u>Percent Change</u>
Counties	\$17,858.5	\$22,777.5	27.5%
Municipalities	1,252.8	1,314.5	4.9%
Total	\$19,111.3	\$24,092.0	26.1%

Source: *Local Government Finances in Maryland*, Department of Legislative Services

Types of Debt

General obligation debt consists of bonds to which the “full faith and credit” of the applicable jurisdiction has been pledged for payment of the debt service (annual principal and interest payments). Full faith and credit indicates that its taxing authority backs the issuer’s commitment to the bond.

Under revenue/enterprise or “self-supporting” debt, the revenues earned by the facility constructed with the bond proceeds support the debt service. Typical examples of these facilities are sewer and water projects and parking garages and lots.

Since State/federal loans to local governments consist mainly of debt incurred by the State, technically they are State debts. However, State law authorizing the debt

generally makes the annual debt service an obligation of the local government receiving the proceeds of the bonds. This type of debt is commonly incurred for programs like sewer and highway construction.

Short-term debt is incurred in anticipation of being repaid within a short time, usually within one year. It is typically incurred in anticipation of taxes being collected or a sale of long-term debt.

Most local government debt (94.5%) has been issued at the county level. Nearly every county has recently received a credit rating from at least one of the major credit rating agencies. Exhibit 13.2 shows the credit rating for each county as of July 2017 for general obligation bonds by the three major rating agencies: Standard & Poor's, Moody's Investors Service, and Fitch Ratings. Bond ratings range from "AAA" for the best quality and smallest investment risk to "C" for the poorest quality and highest risk. Specific classifications are used by each of the rating agencies, but the letter grade systems generally follow these norms. The ratings are assigned based upon the overall creditworthiness of the issuer. For county government, measurements such as size and growth in tax bases are key factors in determining the bond rating. The highest bond rating issued by Moody's to Maryland counties is Aaa while the lowest is A3. For Standard & Poor's, the highest rating among Maryland counties is AAA while the lowest is A+; and for Fitch, the highest rating is AAA and the lowest is AA.

Procedures

State law determines the procedures local governments must follow to create debt. Commission counties do not have the legislative power to create debt; General Assembly authorization is required before any bonds can be sold. In a charter home rule county, if the charter does not specifically provide that local laws authorizing the creation of debt must be submitted to the voters, such laws may be petitioned to the ballot. Revenue/enterprise bonds are exempt from this voter approval option. For code home rule counties, a local law authorizing debt does not need to be submitted to the voters, unless petitioned to referendum.

Exhibit 13.2
Maryland County Debt
Bond Ratings – July 2017

County	Standard & Poor's	Moody's	Fitch
Allegany	AA-	Aa3	-
Anne Arundel	AAA	Aa1	AA+
Baltimore City	AA	Aa2	-
Baltimore	AAA	Aaa	AAA
Calvert	AAA	Aaa	AAA
Caroline	AA-	A3	-
Carroll	AAA	Aa1	AAA
Cecil	AA+	Aa2	-
Charles	AAA	Aaa	AAA
Dorchester	A+	Aa3	-
Frederick	AAA	Aaa	AAA
Garrett	-	-	-
Harford	AAA	Aaa	AAA
Howard	AAA	Aaa	AAA
Kent	-	-	-
Montgomery	AAA	Aaa	AAA
Prince George's	AAA	Aaa	AAA
Queen Anne's	-	Aa2	AAA
St. Mary's	AA+	Aa2	AA+
Somerset	-	-	-
Talbot	-	Aa2	AAA
Washington	AA+	Aa1	AA+
Wicomico	AA+	Aa2	AA
Worcester	AA+	Aa2	AA

Note: (-) means not rated

Source: 2017 Local Government Budget and Tax Rate Survey; Department of Legislative Services; Maryland Association of Counties

For Baltimore City, the Maryland Constitution and the city charter outline the following process for approving debt: (1) the members of the city delegation to the General Assembly must approve the debt or the debt must be authorized by the General Assembly; (2) the mayor and city council must enact an ordinance placing the proposed debt on the

ballot; and (3) the city voters must approve it. Revenue/enterprise debt requires only an ordinance of the mayor and city council.

For municipalities, State law provides that general obligation debt and short-term debt may be issued pursuant to the provisions of State law or the applicable municipal charter, and that municipal resolutions or ordinances authorizing debt do not need to be submitted to the voters, unless required by the resolution, ordinance, or municipal charter. In addition, short-term debt must mature within 18 months of its issuance. Municipalities may issue revenue/enterprise bonds and create special taxing districts for various purposes. They also may levy taxes in a district to pay the debt service on municipal general obligation debt issued for the purposes of the district.

Limitations

Commission counties do not have statutory debt limitations. However, the necessity for General Assembly authorization to create debt serves as a limitation on commission county debt creation.

Under State law, charter county debt is limited to 6% of real property assessable base and 15% of personal property and operating real property assessable base of the county. Certain types of debt, however, are excluded from this limitation: tax anticipation bonds and notes having a maturity not in excess of 12 months; special taxing district debt; and self-liquidating debt. In addition, charter counties may adopt lower limitations, and six have done so:

- Anne Arundel – 5.6% of real property and 14.0% of personal property and certain operating real property for water and sewer bonds, and 5.2% of real property and 13.0% of personal property and certain operating real property for other debt;
- Baltimore – 4.0% of real and personal property;
- Cecil – 5% of real property and 15% of personal property;
- Frederick – 5% of real property and 15% of personal property;
- Howard – 4.8% of real and personal property; and
- Wicomico – 3.2% of real property and 8.0% of personal property.

Unlike charter counties, code counties do not have statutory debt limitations, although the General Assembly may limit their property tax rates and regulate the maximum amount of indebtedness. To date, the General Assembly has not exercised these powers for any code county.

While Baltimore City does not have a statutory general obligation debt limitation, the General Assembly may fix a limit on the amount of debt the city has outstanding at any one time. To date, the General Assembly has not set a limitation on the city's debt.

Municipal debt limitations may be set under two provisions. The General Assembly may adopt, amend, or repeal a local law regulating the maximum amount of debt a municipality may create. The voters of the applicable municipality must subsequently approve this limitation. In addition, through its legislative powers, a municipality may establish a debt limitation in its charter, provided that the voters approve this limitation.

Exhibit 13.3 shows indebtedness for each county in fiscal 2012 and 2017, and Exhibit 13.4 shows municipal indebtedness by county in fiscal 2012 and 2017.

Comparative Measures

Population and assessable base are two common analytical measures used to determine a manageable debt load for a jurisdiction. Exhibit 13.5 shows the per capita debt amounts and the county debt as a percentage of each county's assessable base for fiscal 2012 and 2017, and Exhibit 13.6 shows the per capita debt amounts for municipal debt.

Per capita debt for Maryland counties totaled \$3,781 in fiscal 2017. Baltimore City and Howard and Montgomery counties had the highest per capita debt. Relatively high ratios in Montgomery and Prince George's counties are attributed to the inclusion of the Washington Suburban Sanitary Commission's debt. Excluding this debt, the per capita debt amounts in fiscal 2017 decrease to \$4,635 in Montgomery County and \$1,875 in Prince George's County. Howard County's high ratio resulted from debt for financing general county improvement projects, storm drain projects, housing projects, community renewal projects, and parks and recreation projects. Allegany and Dorchester counties had the lowest per capita debt amounts with each under \$1,000 per resident. For comparative purposes, municipalities/special taxing districts had a ratio of \$1,412 per person in fiscal 2017. Over the five-year period from fiscal 2012 to 2017, per capita county debt increased by 23.7% and per capita municipal debt increased by 1.4%.

County debt as a percentage of a county's assessable base totaled 3.2% in fiscal 2017, ranging from less than 1.0% in Dorchester, Kent, Talbot, and Worcester counties to over 8.0% in Baltimore City. County debt as a percentage of assessable base increased from 2.5% in 2012 to 3.2% in 2017.

Exhibit 13.3
Total County Debt Outstanding
Fiscal 2012 and 2017

County	FY 2012	FY 2017	Percent Change
Allegany	\$55,290,427	\$56,743,898	2.6%
Anne Arundel	1,097,540,600	1,461,831,535	33.2%
Baltimore City	2,916,538,469	3,514,461,375	20.5%
Baltimore	2,440,201,952	3,332,785,805	36.6%
Calvert	153,728,482	136,837,339	-11.0%
Caroline	40,740,384	40,332,744	-1.0%
Carroll	356,005,735	321,892,788	-9.6%
Cecil	202,268,377	232,898,248	15.1%
Charles	349,647,015	329,943,505	-5.6%
Dorchester	31,705,199	23,983,460	-24.4%
Frederick	696,163,376	730,447,588	4.9%
Garrett	38,499,731	55,420,726	44.0%
Harford	642,167,407	642,095,390	0.0%
Howard	1,320,631,743	1,648,341,185	24.8%
Kent	39,761,494	24,574,981	-38.2%
Montgomery	4,612,431,592	6,276,604,430	36.1%
Prince George's	2,152,326,690	3,125,604,984	45.2%
Queen Anne's	109,264,980	134,911,599	23.5%
St. Mary's	138,944,977	180,957,544	30.2%
Somerset	36,257,345	33,060,784	-8.8%
Talbot	45,999,961	44,612,870	-3.0%
Washington	191,116,901	194,986,917	2.0%
Wicomico	99,975,046	126,901,921	26.9%
Worcester	91,298,982	107,238,583	17.5%
Total	\$17,858,506,865	\$22,777,470,199	27.5%

Note: The Washington Suburban Sanitary Commission's debt is allocated to both Montgomery and Prince George's counties on a 50/50 basis.

Source: Department of Legislative Services

Exhibit 13.4
Total Municipal Debt Outstanding
Fiscal 2012 and 2017

County	FY 2012	FY 2017	Percent Change
Allegany	\$77,252,632	\$77,282,326	0.0%
Anne Arundel	93,593,671	160,759,168	71.8%
Baltimore City	NA	NA	
Baltimore	NA	NA	
Calvert	16,737,215	17,357,206	3.7%
Caroline	19,240,724	25,552,261	32.8%
Carroll	49,092,614	49,738,113	1.3%
Cecil	74,544,109	62,915,117	-15.6%
Charles	14,638,543	8,276,352	-43.5%
Dorchester	30,571,472	24,406,101	-20.2%
Frederick	256,231,616	241,467,484	-5.8%
Garrett	5,435,345	6,126,309	12.7%
Harford	56,622,303	50,699,557	-10.5%
Howard	NA	NA	
Kent	10,395,922	10,278,502	-1.1%
Montgomery	144,038,663	137,190,168	-4.8%
Prince George's	62,022,882	50,631,442	-18.4%
Queen Anne's	14,073,238	23,564,143	67.4%
St. Mary's	2,066,276	9,338,850	352.0%
Somerset	5,669,327	7,635,563	34.7%
Talbot	38,591,605	33,936,011	-12.1%
Washington	86,328,619	90,183,377	4.5%
Wicomico	78,619,273	108,389,204	37.9%
Worcester	117,005,334	118,788,546	1.5%
Total	\$1,252,771,383	\$1,314,515,800	4.9%

Source: Department of Legislative Services

Exhibit 13.5
County Debt Measures
Fiscal 2012 and 2017

County	Per Capita Debt			Percent of Assessable Base	
	FY 2012	FY 2017	% Change	FY 2012	FY 2017
Allegany	\$741	\$786	6.0%	1.4%	1.5%
Anne Arundel	2,014	2,570	27.6%	1.4%	1.7%
Baltimore City	4,698	5,696	21.3%	7.8%	8.7%
Baltimore	3,000	4,008	33.6%	2.9%	4.1%
Calvert	1,721	1,502	-12.7%	1.2%	1.1%
Caroline	1,238	1,226	-1.0%	1.4%	1.6%
Carroll	2,132	1,926	-9.6%	1.8%	1.7%
Cecil	1,991	2,268	13.9%	1.9%	2.4%
Charles	2,343	2,096	-10.6%	2.0%	1.9%
Dorchester	970	743	-23.3%	1.0%	0.8%
Frederick	2,933	2,947	0.5%	2.6%	2.6%
Garrett	1,277	1,889	47.8%	0.8%	1.2%
Harford	2,603	2,564	-1.5%	2.3%	2.3%
Howard	4,494	5,200	15.7%	2.9%	3.3%
Kent	1,964	1,250	-36.3%	1.3%	0.8%
Montgomery	4,643	5,987	28.9%	2.7%	3.4%
Prince George's	2,461	3,430	39.4%	2.5%	3.7%
Queen Anne's	2,264	2,743	21.2%	1.3%	1.7%
St. Mary's	1,291	1,618	25.3%	1.1%	1.5%
Somerset	1,381	1,280	-7.3%	2.1%	2.3%
Talbot	1,212	1,199	-1.1%	0.5%	0.5%
Washington	1,285	1,302	1.3%	1.4%	1.5%
Wicomico	999	1,237	23.9%	1.4%	2.1%
Worcester	1,773	2,082	17.4%	0.5%	0.7%
Total	\$3,056	\$3,781	23.7%	2.5%	3.2%

Note: The Washington Suburban Sanitary Commission's debt is allocated to both Montgomery and Prince George's counties on a 50/50 basis.

Source: Department of Legislative Services

Exhibit 13.6
Municipal Debt Measures
Fiscal 2012 and 2017

County	Per Capita Debt		Percent Change
	FY 2012	FY 2017	
Allegany	\$2,297	\$2,381	3.6%
Anne Arundel	2,426	4,071	67.8%
Baltimore City	0	0	0.0%
Baltimore	0	0	0.0%
Calvert	2,148	2,185	1.7%
Caroline	1,599	2,141	33.9%
Carroll	1,019	1,031	1.2%
Cecil	2,516	2,107	-16.3%
Charles	1,135	632	-44.3%
Dorchester	1,883	1,526	-19.0%
Frederick	2,583	2,310	-10.5%
Garrett	775	899	15.9%
Harford	1,472	1,298	-11.9%
Howard	0	0	0.0%
Kent	1,258	1,302	3.5%
Montgomery	897	789	-12.0%
Prince George's	261	205	-21.4%
Queen Anne's	2,101	3,355	59.6%
St. Mary's	662	2,502	278.1%
Somerset	949	1,242	30.8%
Talbot	2,004	1,761	-12.2%
Washington	1,624	1,690	4.0%
Wicomico	1,804	2,374	31.6%
Worcester	6,556	6,708	2.3%
Total	\$1,392	\$1,412	1.4%

Note: The Washington Suburban Sanitary Commission's debt is allocated to both Montgomery and Prince George's counties on a 50/50 basis.

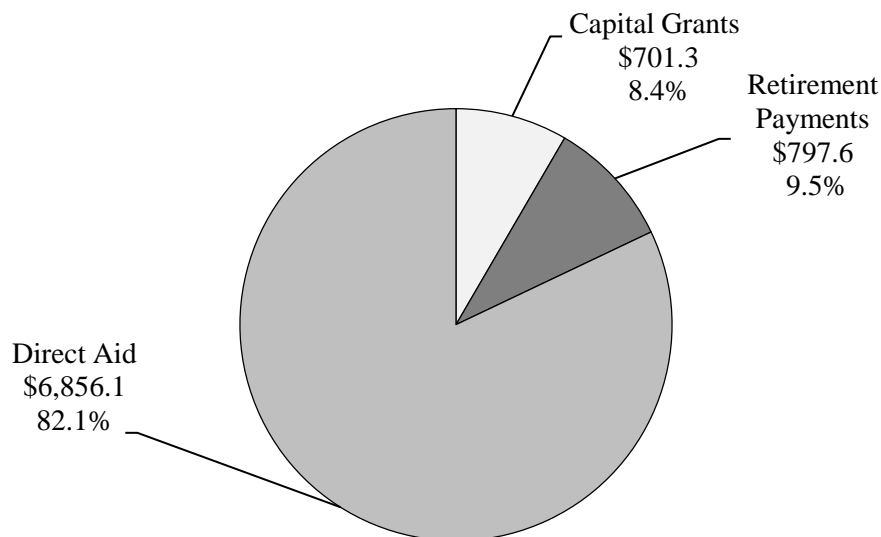
Source: Department of Legislative Services

Chapter 14. Overview of State Aid

State aid is a major revenue source for local governments in Maryland. This funding includes (1) direct aid to county and municipal governments, local school systems, libraries, community colleges, and local health departments; (2) payments made on behalf of local governments for the employer's share of retirement costs for public school teachers, librarians, and community college faculty; and (3) grants for capital projects. Another aspect of State and local fiscal relationships is the State assumption of functions or responsibilities traditionally performed by local governments, which is discussed in Chapter 23.

Local governments received approximately \$8.4 billion in State financial support in fiscal 2019. Direct aid accounts for 82.1% of this funding and includes grants for various public services such as education, transportation, public safety, and health. Although the grants may be for specific programs or purposes, local governments usually have considerable flexibility in the use of these funds. Retirement payments account for 9.5% of funding, and capital grants account for 8.4%. Exhibit 14.1 illustrates the components of State support in fiscal 2019.

Exhibit 14.1
Components of State Support for Local Governments
Fiscal 2019
(\$ in Millions)



Source: Department of Legislative Services

Direct Aid and Retirement Payments

Overview

State aid to local governments totaled \$7.7 billion in fiscal 2019. During the 2015 to 2018 legislative term (fiscal 2016 through 2019), State aid to local governments increased by an average annual rate of 2.2%, despite considerable fiscal challenges faced by the State during this period. Over this four-year period, State aid to local governments increased by \$649.7 million, consisting of an increase of \$650.0 million in direct aid and a relatively minimal net decrease (-\$336,000) in State-paid retirement costs for county teachers, librarians, and community college faculty. Direct State aid for public schools accounts for \$453.5 million, or 69.8%, of this increase, and was 75.8% of total State aid in fiscal 2019. Though it accounts for only 8.7% of State aid in fiscal 2019, State aid to county and municipal governments increased by 29.0% during the term. Exhibits 14.2 and 14.3 show the change in State aid by governmental entity from fiscal 2015 to 2019.

Exhibit 14.2
State Aid to Local Governments
Fiscal 2015 and 2019
(\$ in Millions)

	<u>FY 2015</u>	<u>FY 2019</u>	<u>\$ Difference</u>	<u>% Difference</u>
Public Schools	\$5,350.1	\$5,803.6	\$453.5	8.5%
Libraries	50.8	60.3	9.5	18.8%
Community Colleges	250.0	278.3	28.4	11.3%
Health	41.7	51.4	9.6	23.1%
County/Municipal	513.6	662.5	149.0	29.0%
<i>Subtotal – Direct Aid</i>	<i>\$6,206.1</i>	<i>\$6,856.1</i>	<i>\$650.0</i>	<i>10.5%</i>
Retirement Payments	\$798.0	\$797.6	-\$0.3	-0.0%
Total	\$7,004.1	\$7,653.7	\$649.7	9.3%

Source: Department of Legislative Services

Exhibit 14.3
Annual Change in State Aid
Fiscal 2016-2019
(\$ in Millions)

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>Total</u>
Public Schools	\$56.3	\$124.2	\$102.5	\$170.6	\$453.5
Libraries	1.2	1.4	5.0	1.9	9.5
Community Colleges	9.9	7.2	6.0	5.2	28.4
Health	4.1	3.7	1.6	0.3	9.6
County/Municipal	36.0	31.6	52.3	29.1	149.0
<i>Subtotal – Direct Aid</i>	<i>\$107.5</i>	<i>\$168.0</i>	<i>\$167.4</i>	<i>\$207.2</i>	<i>\$650.0</i>
Retirement Payments	-\$6.8	\$63.0	-\$54.9	-\$1.8	-\$0.3
Total	\$100.7	\$231.1	\$112.5	\$205.4	\$649.7

Source: Department of Legislative Services

Recent Trends in State Aid

The General Assembly took several actions during the 2015 to 2018 legislative term that altered State aid to local governments. Major areas of change during this time include (1) enhancements to direct aid for public schools; (2) continuation of reforms begun during the 2011 to 2014 legislative term that made changes to retirement benefits and initiated cost sharing with local governments for retirement costs, thus curtailing annual growth in State funding on behalf of certain local government employees; (3) enhancements to public safety aid; and (4) enhancement of transportation funding.

Enhanced State Funding for Education

Chapters 701 and 702 of 2016 established the Commission on Innovation and Excellence in Education to, among other charges, (1) review the findings of a consultant's study on adequacy of education funding and its related studies and make recommendations on the funding formula; (2) review and make recommendations on expenditures of local education agencies; (3) review and make recommendations on innovative education delivery mechanisms and other strategies to prepare Maryland students for the twenty-first century workforce and global economy; and (4) review and make recommendations on expanding prekindergarten, including special education prekindergarten. Chapter 361 of 2018 extended the deadline for the commission to

complete its work by one year and largely reflected several recommendations within the commission's preliminary report. Among other provisions, Chapter 361 increased annual State funding for prekindergarten expansion, beginning in fiscal 2020, and established three new public school State aid programs while altering funding levels for the Public School Opportunities Enhancement Program. For more information on the commission, see *Volume IX – Education in Maryland*.

Chapter 10 of 2018, the Budget Reconciliation and Financing Act of 2018, credited \$200 million in income tax revenue to a special fund to support the implementation of the recommendations of the Commission on Innovation and Excellence in Education. Also, Chapter 357 of 2018 proposed a constitutional amendment that, if approved by the voters at the 2018 general election, would require the Governor to provide supplemental State funding for public education through the use of commercial gaming revenues that are dedicated to public education in the State budget beginning in fiscal 2020. Supplemental funding must total \$125.0 million in fiscal 2020, \$250.0 million in fiscal 2021, and \$375.0 million in fiscal 2022. In all subsequent years, 100% of the gaming revenues dedicated to public education must be used for supplemental funding.

The establishment of declining enrollment grants and prekindergarten supplemental grants under Chapters 6 and 607 of 2017 and of Tax Increment Financing grants under Chapter 258 of 2016 also contributed to the enhancement of State aid to public schools during the term.

Retirement Payments

Several changes made through budget reconciliation legislation, beginning with Chapter 397 of 2011 (the Budget Reconciliation and Financing Act of 2011), have helped to mitigate the level of State payments in recent years on behalf of local government (public school, library, and community college) employees to the Teachers' Retirement System and Teachers' Pension System (within the State Retirement and Pension System). The changes included pension benefit changes as well as shifting of a portion of employer contribution costs for covered public school employees to the local school boards. Since reaching a high of \$899.8 million in fiscal 2011 (after more than doubling from fiscal 2006 to 2011), State payments on behalf of local government employees decreased to \$783.5 million in fiscal 2014 and have been relatively level since then, with the exception of an increase to \$854.3 million in fiscal 2017. Fiscal 2019 State payments on behalf of local employees totaled \$797.6 million.

Chapter 397 of 2011 made numerous adjustments to the State Retirement and Pension System benefit structure and required a certain amount of the resulting savings to be reinvested in the system in order to increase the overall level of the system's assets (and, consequently, the State's ability to meet liabilities for future payments to retirees). More

recent budget reconciliation legislation has lessened the amount of the savings required to be reinvested in the system, contributing to a reduction in State retirement spending.

Chapter 1 of the first special session of 2012, the Budget Reconciliation and Financing Act of 2012, phased in a requirement that local school boards pay a portion of the employer costs for covered public school employees. Chapter 1 also established annual teacher retirement supplemental grants for certain jurisdictions, totaling \$27.7 million each year beginning in fiscal 2013, to help offset the impact of sharing teachers' retirement costs. Because these grants are not distributed to local boards of education, these grants are considered State aid to county and municipal governments, not State aid for public schools.

For more information on these changes, see *Volume V – Maryland State Personnel, Pensions, and Procurement* and/or *Volume IX – Education in Maryland*.

Targeted Public Safety Grants

Chapter 516 of 2016 established the Internet Crimes Against Children Task Force Fund administered by the Executive Director of the Governor's Office of Crime Control and Prevention to (1) provide grants to local law enforcement agencies for salaries, training, and equipment to be used for the investigation and prosecution of Internet crimes against children; (2) support the ongoing operations of the task force established by the Department of State Police; and (3) provide funding to specified child advocacy centers. Chapter 516 required the Governor to include in the annual budget bill an appropriation of not less than \$2 million to the fund beginning in fiscal 2018. The fiscal 2019 budget included \$2 million for the fund.

Chapter 519 of 2016 made changes relating to public safety and policing generally consistent with the recommendations of the Public Safety and Policing Workgroup, including establishing a Community Program Fund within the Governor's Office of Crime Control and Prevention to assist (1) local law enforcement agencies in establishing community programs and (2) agencies of local government in establishing violence intervention programs. Beginning in fiscal 2018, the Governor must include \$500,000 in the annual budget bill for the fund. The fiscal 2019 budget included \$500,000 for the fund.

Transportation Funding

Chapters 330 and 331 of 2018 required 100% of the funds in the Gasoline and Motor Vehicle Revenue Account of the Transportation Trust Fund to be retained by the fund beginning in fiscal 2020. Beginning in that same year, instead of directly sharing revenue in the account with local governments, the Maryland Department of Transportation must provide capital transportation grants to local governments based on the amount of revenue

allocated to the account. From fiscal 2020 through 2024, an amount equal to 13.5% of the revenue allocated to the account must be provided to local governments through capital transportation grants as follows: Baltimore City (8.3%); counties (3.2%); and municipalities (2.0%). As a result, State transportation aid to local governments is expected to increase by over \$70 million annually during those fiscal years.

Beginning in fiscal 2025, an amount equal to 9.6% of the revenue allocated to the account must be provided to local governments through capital transportation grants as follows: Baltimore City (7.7%); counties (1.5%); and municipalities (0.4%); this is equivalent to the percentage funding levels provided to localities prior to the Chapters 330 and 331 changes.

Changes by Program

Exhibit 14.4 summarizes the distribution of direct aid by governmental unit and shows the estimated State retirement payments for local government employees in fiscal 2015 and 2019. Exhibit 14.5 compares total State aid in fiscal 2015 and 2019 by program.

Exhibit 14.4
State Aid to Local Governments
Fiscal 2019 Legislative Appropriation
(\$ in Thousands)

County	County/ Municipal	Community Colleges	<i>Direct State Aid</i>				Subtotal	Retirement	Total	Change Over 2015	Percent Change
			Public Schools	Libraries	Health						
Allegany	\$16,567	\$6,748	\$83,374	\$817	\$1,548	\$109,054	\$8,487	\$117,542	\$9,334	8.6%	
Anne Arundel	46,797	31,031	366,970	2,350	4,246	451,394	68,006	519,400	50,534	10.8%	
Baltimore City	276,960	0	856,649	9,378	8,367	1,151,354	64,468	1,215,821	-31,036	-2.5%	
Baltimore	27,042	43,763	677,613	6,210	5,519	760,147	96,656	856,803	93,367	12.2%	
Calvert	6,020	2,826	82,024	482	638	91,989	13,790	105,779	814	0.8%	
Caroline	4,842	1,680	56,823	317	796	64,458	4,889	69,347	8,909	14.7%	
Carroll	6,368	9,107	132,868	1,032	1,722	151,097	20,744	171,841	-647	-0.4%	
Cecil	9,284	6,776	107,905	840	1,160	125,965	13,792	139,758	9,964	7.7%	
Charles	4,881	9,184	183,722	1,107	1,512	200,407	22,856	223,263	23,411	11.7%	
Dorchester	4,753	1,300	43,708	296	755	50,813	3,926	54,739	6,625	13.8%	
Frederick	9,870	11,304	249,020	1,493	2,160	273,847	33,135	306,982	17,499	6.0%	
Garrett	6,347	4,015	22,081	163	733	33,339	3,484	36,823	3,160	9.4%	
Harford	8,019	12,476	211,657	1,672	2,383	236,207	30,142	266,349	7,185	2.8%	
Howard	8,794	20,672	257,168	983	1,781	289,399	60,719	350,118	38,946	12.5%	
Kent	1,304	551	10,024	103	605	12,587	1,875	14,462	209	1.5%	
Montgomery	32,254	51,286	714,873	3,236	4,039	805,688	170,140	975,828	99,064	11.3%	
Prince George's	102,264	31,632	1,140,948	7,477	6,458	1,288,778	116,211	1,404,989	192,308	15.9%	
Queen Anne's	2,186	2,156	35,855	175	618	40,990	6,305	47,295	1,981	4.4%	
St. Mary's	3,297	3,130	107,229	772	1,092	115,521	13,690	129,211	10,183	8.6%	
Somerset	7,704	836	32,379	303	589	41,810	2,813	44,623	4,769	12.0%	
Talbot	3,195	1,849	14,296	116	569	20,025	3,742	23,767	2,199	10.2%	
Washington	7,959	9,503	179,607	1,361	1,887	200,317	17,906	218,223	14,779	7.3%	
Wicomico	15,548	5,627	147,863	1,091	1,355	171,484	12,742	184,226	21,873	13.5%	
Worcester	7,511	2,430	19,847	159	840	30,787	7,115	37,903	3,199	9.2%	
Unallocated	42,741	8,439	69,091	18,380	0	138,650	0	138,650	61,046	78.7%	
Total	\$662,507	\$278,322	\$5,803,594	\$60,313	\$51,372	\$6,856,108	\$797,633	\$7,653,741	\$649,676	9.3%	

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

Exhibit 14.4 (Cont.)
State Aid to Local Governments
Fiscal 2015 Actual
(\$ in Thousands)

County	<i>Direct State Aid</i>						Retirement	Total
	County/ Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal		
Allegany	\$13,604	\$6,112	\$77,193	\$744	\$1,051	\$98,704	\$9,504	\$108,208
Anne Arundel	31,361	30,990	333,321	2,101	3,507	401,280	67,586	468,866
Baltimore City	251,375	0	909,543	6,053	7,449	1,174,420	72,437	1,246,857
Baltimore	19,728	41,217	596,808	5,327	4,812	667,892	95,544	763,436
Calvert	4,656	2,480	81,904	385	426	89,851	15,114	104,965
Caroline	4,403	1,622	48,861	270	597	55,753	4,685	60,438
Carroll	4,700	8,114	134,359	902	1,371	149,446	23,042	172,488
Cecil	6,857	5,844	101,476	719	899	115,795	13,998	129,793
Charles	3,806	8,420	162,030	920	1,109	176,285	23,567	199,852
Dorchester	4,405	1,214	37,845	252	488	44,204	3,910	48,114
Frederick	8,048	9,869	233,362	1,334	1,685	254,299	35,185	289,483
Garrett	4,365	3,755	21,223	114	495	29,952	3,711	33,663
Harford	6,458	11,211	205,364	1,450	1,936	226,418	32,746	259,164
Howard	7,010	16,404	224,790	838	1,359	250,400	60,772	311,172
Kent	1,229	584	9,940	81	383	12,216	2,037	14,254
Montgomery	27,272	45,918	631,371	2,813	3,388	710,762	166,002	876,764
Prince George's	63,813	26,868	1,007,901	6,759	5,599	1,110,940	101,741	1,212,681
Queen Anne's	2,723	1,883	34,028	138	465	39,237	6,077	45,314
St. Mary's	2,939	2,788	97,698	612	900	104,938	14,091	119,029
Somerset	6,572	728	29,087	268	479	37,133	2,721	39,854
Talbot	2,484	1,751	12,934	107	365	17,641	3,926	21,567
Washington	6,472	8,704	166,300	1,172	1,536	184,184	19,259	203,444
Wicomico	12,942	4,999	129,420	943	1,053	149,356	12,997	162,353
Worcester	5,468	2,076	19,304	144	393	27,385	7,318	34,703
Unallocated	10,868	6,417	43,997	16,323	0	77,604	0	77,604
Total	\$513,557	\$249,967	\$5,350,059	\$50,769	\$41,743	\$6,206,096	\$797,969	\$7,004,065

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

Exhibit 14.4 (Cont.)
State Aid to Local Governments
Dollar Difference Between Fiscal 2019 Legislative Appropriation and Fiscal 2015 Actual
(\$ in Thousands)

County	County/ Municipal	Community Colleges	<i>Direct State Aid</i>			Subtotal	Retirement	Total
			Public Schools	Libraries	Health			
Allegany	\$2,963	\$635	\$6,181	\$73	\$497	\$10,350	-\$1,016	\$9,334
Anne Arundel	15,436	41	33,649	249	739	50,114	420	50,534
Baltimore City	25,585	0	-52,894	3,325	918	-23,066	-7,970	-31,036
Baltimore	7,315	2,546	80,804	884	706	92,255	1,112	93,367
Calvert	1,364	346	120	96	212	2,138	-1,324	814
Caroline	439	58	7,962	47	199	8,705	204	8,909
Carroll	1,668	993	-1,491	130	351	1,651	-2,298	-647
Cecil	2,427	931	6,429	121	262	10,170	-206	9,964
Charles	1,075	765	21,692	186	403	24,122	-711	23,411
Dorchester	348	86	5,863	44	268	6,609	16	6,625
Frederick	1,821	1,435	15,658	159	475	19,548	-2,049	17,499
Garrett	1,982	260	857	49	238	3,387	-227	3,160
Harford	1,561	1,266	6,293	222	447	9,789	-2,604	7,185
Howard	1,785	4,268	32,378	145	423	38,999	-54	38,946
Kent	75	-32	84	22	222	370	-162	209
Montgomery	4,982	5,368	83,502	423	651	94,926	4,137	99,064
Prince George's	38,451	4,764	133,047	717	859	177,838	14,470	192,308
Queen Anne's	-537	273	1,827	37	153	1,754	228	1,981
St. Mary's	358	342	9,531	160	192	10,583	-400	10,183
Somerset	1,132	108	3,293	35	110	4,677	92	4,769
Talbot	711	98	1,362	9	203	2,383	-184	2,199
Washington	1,487	799	13,307	189	351	16,133	-1,353	14,779
Wicomico	2,606	629	18,443	148	302	22,128	-255	21,873
Worcester	2,043	354	543	15	446	3,402	-202	3,199
Unallocated	31,873	2,022	25,094	2,057	0	61,046	0	61,046
Total	\$148,950	\$28,354	\$453,535	\$9,543	\$9,629	\$650,012	-\$336	\$649,676

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

Exhibit 14.4 (Cont.)
State Aid to Local Governments
Percent Change: Fiscal 2019 Legislative Appropriation over Fiscal 2015 Actual

County	County/ Municipal	Community Colleges	Direct State Aid				Subtotal	Retirement	Total
			Public Schools	Libraries	Health				
Allegany	21.8%	10.4%	8.0%	9.8%	47.3%	10.5%	-10.7%	8.6%	
Anne Arundel	49.2%	0.1%	10.1%	11.9%	21.1%	12.5%	0.6%	10.8%	
Baltimore City	10.2%	n/a	-5.8%	54.9%	12.3%	-2.0%	-11.0%	-2.5%	
Baltimore	37.1%	6.2%	13.5%	16.6%	14.7%	13.8%	1.2%	12.2%	
Calvert	29.3%	13.9%	0.1%	25.0%	49.9%	2.4%	-8.8%	0.8%	
Caroline	10.0%	3.6%	16.3%	17.5%	33.3%	15.6%	4.3%	14.7%	
Carroll	35.5%	12.2%	-1.1%	14.5%	25.6%	1.1%	-10.0%	-0.4%	
Cecil	35.4%	15.9%	6.3%	16.8%	29.1%	8.8%	-1.5%	7.7%	
Charles	28.2%	9.1%	13.4%	20.3%	36.4%	13.7%	-3.0%	11.7%	
Dorchester	7.9%	7.1%	15.5%	17.4%	54.9%	15.0%	0.4%	13.8%	
Frederick	22.6%	14.5%	6.7%	11.9%	28.2%	7.7%	-5.8%	6.0%	
Garrett	45.4%	6.9%	4.0%	42.9%	48.1%	11.3%	-6.1%	9.4%	
Harford	24.2%	11.3%	3.1%	15.3%	23.1%	4.3%	-8.0%	2.8%	
Howard	25.5%	26.0%	14.4%	17.3%	31.1%	15.6%	-0.1%	12.5%	
Kent	6.1%	-5.6%	0.8%	27.0%	58.1%	3.0%	-7.9%	1.5%	
Montgomery	18.3%	11.7%	13.2%	15.0%	19.2%	13.4%	2.5%	11.3%	
Prince George's	60.3%	17.7%	13.2%	10.6%	15.3%	16.0%	14.2%	15.9%	
Queen Anne's	-19.7%	14.5%	5.4%	26.8%	33.0%	4.5%	3.7%	4.4%	
St. Mary's	12.2%	12.3%	9.8%	26.1%	21.3%	10.1%	-2.8%	8.6%	
Somerset	17.2%	14.8%	11.3%	13.0%	23.0%	12.6%	3.4%	12.0%	
Talbot	28.6%	5.6%	10.5%	8.3%	55.6%	13.5%	-4.7%	10.2%	
Washington	23.0%	9.2%	8.0%	16.1%	22.9%	8.8%	-7.0%	7.3%	
Wicomico	20.1%	12.6%	14.3%	15.7%	28.7%	14.8%	-2.0%	13.5%	
Worcester	37.4%	17.1%	2.8%	10.4%	113.5%	12.4%	-2.8%	9.2%	
Unallocated	293.3%	31.5%	57.0%	12.6%	n/a	78.7%	-100.0%	78.7%	
Total	29.0%	11.3%	8.5%	18.8%	23.1%	10.5%	0.0%	9.3%	

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

Source: Department of Legislative Services

Exhibit 14.5
Total State Aid to Local Governments
Fiscal 2015 and 2019

<u>Program</u>	<u>FY 2015</u>	<u>FY 2019</u>	<u>Difference</u>
Foundation Aid	\$2,882,438,045	\$3,056,189,470	\$173,751,425
Supplemental Program	46,620,083	46,620,083	0
Geographic Cost of Education Index	132,684,798	141,573,510	8,888,712
Net Taxable Income Education Grant	26,860,206	62,523,818	35,663,612
Tax Increment Financing Education Grants	0	535,131	535,131
Foundation – Special Grants	593,055	12,955,565	12,362,510
Declining Enrollment Education Grants	0	18,663,687	18,663,687
Compensatory Education	1,251,675,638	1,308,336,290	56,660,652
Student Transportation – Regular	234,187,692	256,452,211	22,264,519
Student Transportation – Special Education	24,192,000	26,133,000	1,941,000
Special Education – Formula	271,702,887	290,812,794	19,109,907
Special Education – Nonpublic Placements	134,128,810	123,500,000	-10,628,810
Special Education – Infants and Toddlers	10,389,103	10,389,104	1
Limited English Proficiency Grants	197,653,373	288,041,382	90,388,009
Guaranteed Tax Base	59,390,154	48,169,682	-11,220,472
Prekindergarten Expansion Program	4,300,000	11,644,000	7,344,000
Prekindergarten Supplemental Grants	0	16,039,177	16,039,177
School Safety Grants	0	13,100,000	13,100,000
Food Service	10,793,426	11,236,664	443,238
SEED School	10,146,460	10,450,207	303,747
Judy Hoyer Centers	10,575,000	10,575,000	0
Teacher Development	22,451,630	6,520,000	-15,931,630
Next Generation Scholars	0	4,700,000	4,700,000
Public School Opportunities	0	3,000,000	3,000,000
Heroin and Opioid Education	0	3,000,000	3,000,000
Out-of-county Foster Placements	2,182,848	2,000,000	-182,848
Head Start	1,799,999	1,800,000	1
Other Education Aid	15,294,178	18,633,599	3,339,421
Total Primary and Secondary Education	\$5,350,059,385	\$5,803,594,374	\$453,534,989
Library Formula	\$34,446,212	\$41,932,865	\$7,486,653
Library Network	16,323,271	18,380,048	2,056,777
Total Libraries	\$50,769,483	\$60,312,913	\$9,543,430
Community College Formula	\$219,538,747	\$240,447,311	\$20,908,564
Optional Retirement	14,297,308	17,328,000	3,030,692
Grants for ESOL Programs	5,516,743	5,548,721	31,978
Small College Grants	3,597,901	5,959,101	2,361,200
Other Community College Aid	7,016,664	9,038,669	2,022,005
Total Community Colleges	\$249,967,363	\$278,321,802	\$28,354,439

Exhibit 14.5 (Cont.)

<u>Program</u>	<u>FY 2015</u>	<u>FY 2019</u>	<u>Difference</u>
Highway User Revenue	\$171,695,129	\$178,132,608	\$6,437,479
County Transportation Grants	0	35,451,141	35,451,141
Municipal Transportation Grants	16,000,001	22,480,289	6,480,288
Elderly and Disabled Transportation Aid	3,969,593	4,305,908	336,315
Paratransit Grants	2,944,139	1,726,068	-1,218,071
Total Transportation	\$194,608,862	\$242,096,014	\$47,487,152
Police Aid	\$67,273,740	\$74,457,216	\$7,183,476
Fire and Rescue Aid	11,700,000	15,000,000	3,300,000
9-1-1 Grants	7,845,729	14,400,000	6,554,271
Baltimore City Direct Police Grant	7,192,022	9,180,112	1,988,090
Safe Streets Program	2,830,352	4,589,746	1,759,394
State's Attorney Grants	3,959,195	3,228,840	-730,355
Violent Crime Grant	2,296,292	2,292,489	-3,803
Vehicle Theft Prevention	1,537,860	1,886,020	348,160
Drug Enforcement Grants	1,464,610	1,214,610	-250,000
Other Public Safety Aid	3,245,928	6,436,509	3,190,581
Total Public Safety	\$109,345,728	\$132,685,542	\$23,339,814
Wastewater Treatment – Nutrient Removal	\$2,561,750	\$7,000,000	\$4,438,250
Critical Area Grants	245,025	252,700	7,675
Total Recreation/Environment	\$2,806,775	\$7,252,700	\$4,445,925
Local Health Formula	\$41,743,209	\$51,372,156	\$9,628,947
Disparity Grant	\$127,738,286	\$140,804,172	\$13,065,886
Gaming Impact Grants	\$36,409,346	\$87,243,802	\$50,834,456
Teachers Retirement Supplemental Grants	27,658,662	27,658,661	-1
Adult Education	8,246,323	8,011,986	-234,337
Statewide Voting Systems	3,197,829	5,471,244	2,273,415
Revenue Equity Program	0	3,303,370	3,303,370
Payments in Lieu of Taxes (PILOT)	1,031,695	2,195,492	1,163,797
PILOT – Park Service	217,733	2,291,673	2,073,940
PILOT – Forest Service	150,105	146,208	-3,897
Instant Bingo	1,655,241	2,581,588	926,347
Senior Citizens Activities Center	490,000	764,238	274,238
Total Other Direct Aid	\$79,056,934	\$139,668,262	\$60,611,328
Total Direct Aid	\$6,206,096,025	\$6,856,107,935	\$650,011,910
Retirement – Teachers	\$738,575,043	\$732,920,781	-\$5,654,262
Retirement – Libraries	19,097,648	20,645,412	1,547,764
Retirement – Community Colleges	40,296,368	44,067,171	3,770,803
Total Payments-in-behalf	\$797,969,059	\$797,633,364	-\$335,695
Total State Aid	\$7,004,065,084	\$7,653,741,299	\$649,676,215

ESOL: English for Speakers of Other Languages
Source: Department of Legislative Services

Reliance on State Aid

State aid was the largest revenue source for Baltimore City and 11 county governments (Allegany, Caroline, Cecil, Charles, Dorchester, Frederick, Prince George's, St. Mary's, Somerset, Washington, and Wicomico) in Maryland, accounting for 27.1% of total revenues (in all counties and Baltimore City) in fiscal 2017. In 9 counties (Anne Arundel, Baltimore, Calvert, Carroll, Garrett, Harford, Kent, Queen Anne's, and Worcester), State aid was the second largest revenue source after property taxes, whereas in Howard, Montgomery, and Talbot counties, State aid was the third largest revenue source after both property and income taxes.

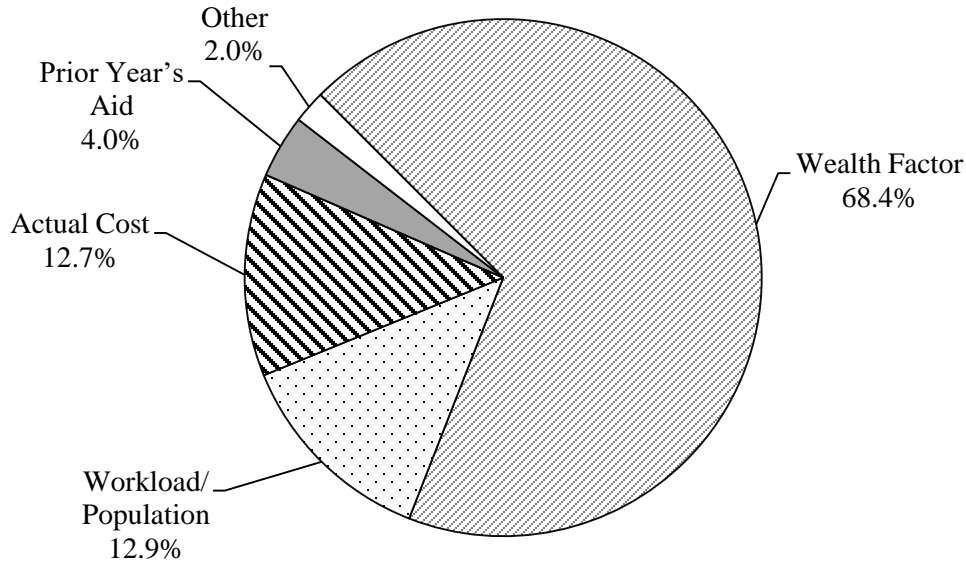
Dependence on State aid varies, with less affluent jurisdictions relying on State aid as their primary revenue source while more affluent jurisdictions rely more heavily on local property and income taxes. For example, State aid accounts for 16.2% of total revenues in Worcester County but 52.1% in Caroline County. This difference is largely due to the fact that approximately 70% of State aid is distributed inversely to local wealth. Utilizing local wealth measures to distribute State aid attempts to offset the inequalities in the revenue capacity among local jurisdictions.

State aid is the fourth largest revenue source for municipalities, accounting for 7.3% of revenues. Most of State aid to municipalities is targeted toward transportation, police protection, parks and recreation services, and community development projects. The reliance on State aid varies for municipalities, ranging from below 4% of total revenues for municipalities in Montgomery, Talbot, Washington, and Worcester counties to over 20% for municipalities in Cecil, Kent, and St. Mary's counties.

Distribution Basis for State Aid

The State utilizes over 100 programs to allocate funding to local governments. Programs that distribute funding inversely to local wealth accounted for about 68% of State aid in fiscal 2019. Most of these programs also base State aid on a workload measure, such as school enrollment or population. The utilization of local wealth as a basis to distribute State aid improves fiscal equity among jurisdictions by making certain jurisdictions less dependent on their own tax base to fund public services. Exhibit 14.6 shows State aid by the basis for distribution.

Exhibit 14.6
State Aid by Basis for Distribution
Fiscal 2019



(\$ in Millions)

	<u>FY 2019</u>	<u>% of Total</u>
Wealth Factor	\$5,237.3	68.4%
Workload/Population	988.0	12.9%
Actual Cost	969.5	12.7%
Prior Year's Aid	303.1	4.0%
Other	155.8	2.0%
Total	\$7,653.7	100.0%

Source: Department of Legislative Services

Capital Projects

The State provides grants for specific capital projects, including funding for school construction, county detention centers, low-income housing, and water supply facilities. Proceeds from the sale of State bonds are the primary source of funding for these capital project grants. For fiscal 2019, the State capital and operating budgets authorized

approximately \$701.3 million for State programs providing grants primarily to local governments. As Exhibit 14.7 shows, the public school construction program accounted for 57.5% of total capital funds earmarked for local projects in fiscal 2019, while environment and recreation programs accounted for 24.2%.

Exhibit 14.7
State Funding for Local Government Capital Projects
Fiscal 2019

	<u>Amount</u>	<u>Percent of Total</u>
Education		
Public School Construction	\$403,100,000	57.5%
Aging Schools	6,109,000	0.9%
Community College Projects	60,095,000	8.6%
Public Libraries	5,000,000	0.7%
Subtotal	\$474,304,000	67.6%
Environment and Recreation		
Chesapeake Bay Restoration Fund	\$85,000,000	12.1%
Program Open Space	58,787,825	8.4%
Waterway Improvement Fund	8,181,075	1.2%
Energy-Water Infrastructure Program	8,000,000	1.1%
Water Supply Financial Assistance Program	3,303,000	0.5%
Coastal Resiliency Program	3,225,000	0.5%
Community Parks and Playgrounds	2,500,000	0.4%
Hazardous Substance Cleanup Program	500,000	0.1%
Mining Remediation Program	500,000	0.1%
Subtotal	\$169,996,900	24.2%
Health/Social		
Strategic Demolition/Small Growth Impact Fund	\$28,500,000	4.1%
Local Jails and Detention Centers	7,332,000	1.0%
Partnership Rental Housing Program	6,000,000	0.9%
Community Health Facilities Grant Program	5,529,000	0.8%
Shelter & Transitional Housing Facilities	3,000,000	0.4%
Federally Qualified Health Centers Grant Program	2,500,000	0.4%
MD BRAC Preservation Loan Fund	2,500,000	0.4%
Senior Centers Capital Grant Program	1,600,000	0.2%
Subtotal	\$56,961,000	8.1%
Total	\$701,261,900	100.0%

MD BRAC: Maryland Base Realignment and Closure
Source: Department of Legislative Services

Chapter 15. Education State Aid

The State and local school systems share responsibility for providing education services in Maryland. Statewide education policy is the responsibility of the State Board of Education, with the State Superintendent of Schools and the Maryland State Department of Education overseeing implementation. The 24 local boards of education, together with the local school superintendents, govern educational matters and oversee operations in local school systems and individual public schools.

Financial support for public schools is likewise a shared State and local responsibility. State support totaled \$6.4 billion in fiscal 2018, which was 48% of the \$13.3 billion in total operating revenues for public schools. Local boards of education develop local school budgets and oversee education-related spending; however, they are dependent on financing from county governments, mostly through local income and property tax revenues. In fiscal 2018, local governments provided 47% of total revenues for local school systems, and revenues generated by the local boards of education made up another 1% of total funding. The federal government also contributes a small percentage of aid for education, with federal aid representing approximately 4% of the total in fiscal 2018.

Bridge to Excellence in Public Schools Act

The State's financing of public schools changed considerably in fiscal 2004 with the implementation of new funding formulas established by Chapter 288 of 2002, the Bridge to Excellence in Public Schools Act. The legislation simplified the State's school financing structure by eliminating many small categorical programs while significantly increasing overall State support for schools.

State education aid increased from \$2.9 billion in fiscal 2002, the year before the Bridge to Excellence Act, to \$5.1 billion in fiscal 2008, the final year of the phase-in of Bridge to Excellence funding. This represented an increase of 79.1% in State support for public education and an average annual increase of 10.2%. This outpaced the general fund revenue growth of 42.5% over the same six-year period, which averaged 6.1% in annual growth.

Commission on Innovation and Excellence in Education

Chapters 701 and 702 of 2016 established the Commission on Innovation and Excellence in Education to, among other charges, (1) review the findings of a consultant's study on adequacy of education funding and its related studies and make recommendations

on the funding formula; (2) review and make recommendations on expenditures of local education agencies; (3) review and make recommendations on innovative education delivery mechanisms and other strategies to prepare Maryland students for the twenty-first century workforce and global economy; and (4) review and make recommendations on expanding prekindergarten, including special education prekindergarten. Chapter 361 of 2018 extended the deadline for the commission to complete its work by one year and largely reflected several recommendations within the commission's preliminary report. Among other provisions, Chapter 361 increased annual State funding for prekindergarten expansion, beginning in fiscal 2020, and established three new public school State aid programs while altering funding levels for the Public School Opportunities Enhancement Program.

Chapter 10 of 2018, the Budget Reconciliation and Financing Act of 2018, credited \$200 million in income tax revenue to a special fund to support the implementation of the recommendations of the commission. Also, Chapter 357 of 2018 proposed a constitutional amendment that, if approved by the voters at the 2018 general election, would require supplemental State funding for public education through the use of commercial gaming revenues. Supplemental funding must total \$125.0 million in fiscal 2020, \$250.0 million in fiscal 2021, and \$375.0 million in fiscal 2022. In all subsequent years, 100% of the gaming revenues dedicated to public education would be used for supplemental funding.

For more information on the Bridge to Excellence in Public Schools Act and the Commission on Innovation and Excellence in Education see *Volume IX – Education in Maryland* of this Legislative Handbook Series.

Education State Aid by Program

Exhibit 15.1 shows State aid by major program for fiscal 2015 and 2019. Overall, State aid increased by \$447.9 million, or 7.4%, during this time. Due to a series of changes beginning with the 2011 legislative session (discussed in Chapter 14 of this handbook), State support for teachers' retirement has been relatively flat during this period, decreasing by \$5.7 million, or 0.8%. However, the increase from fiscal 2015 to 2019 also includes growth of \$453.5 million, or 8.5%, in direct State aid. This funding is provided directly to local school systems for inclusion in their budgets. The largest increase in direct aid was for the foundation program, which grew by \$173.8 million, or 6.0%.

In addition to increasing State education aid, the Bridge to Excellence Act gave school districts more flexibility in how they use State funds. Nearly all direct aid is provided in the form of block grants that give school systems broad flexibility in the use of funds. To ensure that school systems are using State aid effectively, each school system

must have an approved five-year comprehensive master plan that specifies how State, local, and federal funds will be used to improve student achievement and meet State and local educational standards.

Targeting Education Aid

Under the formulas established by the Bridge to Excellence Act, most State aid is distributed to local school systems based on student enrollments and local wealth. The formulas are designed to meet the instructional needs of the general student population and to target additional resources to school systems with large proportions of students who are at risk of falling behind academically. Enhanced targeting of aid was a primary goal of the Bridge to Excellence Act. Targeted funding is primarily based on enrollment-driven formulas for three groups: (1) special education students; (2) students eligible for free and reduced-price meals; and (3) students with limited English proficiency.

Exhibit 15.1
State Education Aid by Major Program
Fiscal 2015 and 2019
(\$ in Millions)

<u>Education Aid Program</u>	<u>FY 2015</u>	<u>FY 2019</u>	<u>Percent Change</u>
Foundation Program	\$2,882.4	\$3,056.2	6.0%
Supplemental Grants	46.6	46.6	0.0%
Geographic Cost of Education Index	132.7	141.6	6.7%
NTI Education Grant	26.9	62.5	132.8%
Guaranteed Tax Base	59.4	48.2	-18.9%
Compensatory Education	1,251.7	1,308.3	4.5%
Special Education Formula	271.7	290.8	7.0%
Nonpublic Special Education	134.1	123.5	-7.9%
Limited English Proficiency	197.7	288.0	45.7%
Student Transportation	258.4	282.6	9.4%
Other Programs	88.5	155.2	75.4%
<i>Direct Aid Subtotal</i>	<i>\$5,350.1</i>	<i>\$5,803.6</i>	<i>8.5%</i>
Teachers' Retirement	738.6	732.9	-0.8%
Total	\$6,088.6	\$6,536.5	7.4%

NTI: Net Taxable Income

Source: Department of Legislative Services

Additional State aid supports other expenses for functions such as student transportation, food service, and expansion of prekindergarten services. Exhibit 15.2 shows all fiscal 2019 State education aid programs divided into general education, targeted, and other aid categories. The individual aid programs are discussed in detail in *Volume IX – Education in Maryland* of this Legislative Handbook Series. Exhibit 15.3 shows the same three categories of aid by county for fiscal 2019.

Exhibit 15.2
Fiscal 2019 State Education Aid by Category

General Education Aid	
Foundation Program	\$3,056,189,470
Teachers' Retirement	732,920,781
Geographic Cost of Education Index	141,573,510
Net Taxable Income Education Grant	62,523,818
Guaranteed Tax Base	48,169,682
Supplemental Grants	46,620,083
Declining Enrollment Grants	18,663,687
Foundation Special Grants	12,955,565
Maryland Early Literacy	2,500,000
Specific Populations (Out of County)	2,000,000
Tax Increment Financing Grants	535,131
General Education Subtotal	\$4,124,651,727
Targeted Aid	
Compensatory Education	\$1,308,336,290
Special Education Formula	290,812,794
Limited English Proficiency	288,041,382
Nonpublic Special Education	123,500,000
Prekindergarten Supplemental Grants	16,039,177
Prekindergarten Expansion Grants	11,644,000
Judy Hoyer	10,575,000
SEED School of Maryland	10,450,207
Infants and Toddlers	10,389,104
Learning in Extended Academic Programs	4,500,000
Head Start	1,800,000
Targeted Aid Subtotal	\$2,076,087,954
Other Aid	
Student Transportation	\$282,585,211
School Safety	13,100,000
Food Service	11,236,664
Teacher Development	6,520,000
Next Generation Scholars	4,700,000
Healthy Families/Home Visits	4,590,667
Heroin/Opioid Education	3,000,000
Public School Opportunities	3,000,000
Other Aid ¹	7,042,932
Other Aid Subtotal	\$335,775,474
Total	\$6,536,515,155

¹Includes School-based Health Centers (\$2,594,803), Career and Technology Education (\$2,000,000), P-TECH (\$855,000), Fine Arts Grants (\$731,530), Early College (\$300,000), Robotics Grants (\$250,000), LYNX Schools (\$236,599), Lacrosse Opportunities (\$40,000), and Smith Island Boat (\$35,000) program funding.

Source: Department of Legislative Services

Exhibit 15.3
Fiscal 2019 State Education Aid by County
(\$ in Thousands)

County	General Education Aid	Targeted Aid	Other Aid	Total
Allegany	\$54,206	\$30,823	\$5,068	\$90,098
Anne Arundel	290,383	111,978	26,201	428,562
Baltimore City	505,169	392,282	21,440	918,890
Baltimore	499,849	230,799	34,086	764,734
Calvert	73,992	14,805	6,198	94,995
Caroline	36,266	21,937	3,136	61,339
Carroll	114,814	26,828	10,244	151,887
Cecil	82,171	32,806	5,771	120,749
Charles	143,592	48,961	12,103	204,655
Dorchester	28,031	15,938	3,421	47,389
Frederick	202,514	63,123	13,930	279,567
Garrett	14,657	6,764	3,572	24,992
Harford	168,487	56,391	13,529	238,407
Howard	235,081	58,464	19,066	312,611
Kent	5,583	4,414	1,747	11,744
Montgomery	545,495	277,864	47,374	870,732
Prince George's	742,846	462,479	44,622	1,249,948
Queen Anne's	28,954	8,892	3,849	41,695
St. Mary's	86,668	26,005	7,416	120,090
Somerset	18,858	13,834	2,324	35,016
Talbot	8,025	7,737	1,867	17,629
Washington	128,633	58,472	8,522	195,627
Wicomico	94,631	58,992	6,034	159,657
Worcester	13,246	9,924	3,243	26,412
Unallocated	2,500	35,576	31,015	69,091
Statewide	\$4,124,652	\$2,076,088	\$335,775	\$6,536,515

Source: Department of Legislative Services

Wealth Equalizing Aid

In addition to providing more funding to school systems with higher proportions of at-risk students, the Bridge to Excellence Act continued and expanded mechanisms to provide more funding to less wealthy jurisdictions. Because funding public education is a shared State and local responsibility, part of the State’s constitutional responsibility to provide a “thorough and efficient system of free public schools” involves offsetting the disparities in taxable wealth among the counties. The State aid structure compensates for wealth differences by providing less aid per pupil to the more wealthy jurisdictions and more aid per pupil to the less wealthy jurisdictions through a number of “wealth-equalized” funding formulas. Although most State aid formulas are designed to have the State pay roughly one-half of program costs, the State’s share for the less wealthy jurisdictions is higher than 50%, and the State’s share for more wealthy jurisdictions is lower than 50%.

Results of the State Education Aid Structure

Exhibit 15.4 shows how State aid per pupil is driven by each county’s wealth and by the share of its student population that is identified as being at greater risk of performing below State standards. For example, the exhibit shows that Somerset County had the third-lowest wealth per pupil in fiscal 2019 and the student population with the third-greatest needs. As a result, Somerset County received the most direct State aid per student at \$12,006. Baltimore City, with the fifth-lowest wealth per pupil in the State and a student population with the highest needs, received the second-highest per pupil direct aid amount at \$11,444. Talbot and Worcester counties, which had the highest wealth per pupil figures in fiscal 2019, received the two lowest levels of direct State aid per pupil, at \$3,245 and \$3,148, respectively. Examining the needs of each county’s student population and the wealth in each county helps to explain the relative amounts of State aid that each school system receives. School systems with high needs and low wealth receive the most State aid per pupil, while systems with high wealth and lower needs receive less aid per pupil.

Exhibit 15.4
Local Needs and Wealth and Direct State Aid Per Pupil
Fiscal 2019

<u>At-risk Percentage</u>			<u>Wealth Per Pupil</u>			<u>Direct State Aid Per Pupil</u>		
<u>Rank</u>	<u>County</u>	<u>At-risk Percentage</u>	<u>Rank</u>	<u>County</u>	<u>Wealth Per Pupil</u>	<u>Rank</u>	<u>County</u>	<u>Aid Per Pupil</u>
1	Baltimore City	110.4%	24	Caroline	\$285,553	1	Somerset	\$12,006
2	Prince George's	92.7%	23	Wicomico	290,096	2	Baltimore City	11,444
3	Somerset	92.1%	22	Somerset	299,995	3	Caroline	10,390
4	Dorchester	80.3%	21	Allegany	311,141	4	Wicomico	10,310
5	Wicomico	76.6%	20	Baltimore City	356,648	5	Allegany	10,210
6	Allegany	72.3%	19	Washington	361,300	6	Dorchester	9,657
7	Kent	70.2%	18	Dorchester	363,407	7	Prince George's	8,983
8	Caroline	69.5%	17	Cecil	412,290	8	Washington	8,201
	State	64.5%	16	Charles	413,436	9	Cecil	7,300
9	Baltimore	63.7%	15	Prince George's	417,971	10	Charles	7,043
10	Talbot	62.8%	14	St. Mary's	455,895		State	6,742
11	Montgomery	61.9%	13	Frederick	462,192	11	St. Mary's	6,251
12	Washington	61.4%	12	Harford	494,902	12	Baltimore	6,197
13	Cecil	59.2%	11	Calvert	508,365	13	Frederick	6,111
14	Worcester	56.8%	10	Carroll	511,298	14	Garrett	6,052
15	Garrett	55.5%	9	Baltimore	518,552	15	Harford	5,740
16	Charles	49.8%		State	538,872	16	Kent	5,372
17	Anne Arundel	48.2%	8	Howard	599,275	17	Carroll	5,329
18	Harford	44.8%	7	Queen Anne's	621,736	18	Calvert	5,314
19	St. Mary's	43.8%	6	Garrett	639,670	19	Queen Anne's	4,758
20	Frederick	43.3%	5	Anne Arundel	662,949	20	Howard	4,644
21	Queen Anne's	39.4%	4	Montgomery	759,941	21	Anne Arundel	4,567
22	Howard	36.7%	3	Kent	864,560	22	Montgomery	4,553
23	Carroll	32.1%	2	Talbot	1,023,238	23	Talbot	3,245
24	Calvert	30.0%	1	Worcester	1,185,306	24	Worcester	3,148

At-risk percentage equals the sum of students with disabilities, students eligible for free and reduced-price meals, and students with limited English proficiency divided by the number of full-time equivalent (FTE) students. Because of overlap among these three at-risk populations, the figure may be greater than 100%. Per pupil measures are based on FTE.

Source: Department of Legislative Services

Public School Construction

Pursuant to changes made under Chapter 14 of 2018, the Interagency Commission on School Construction manages State review and approval of local school construction projects. Each year, local systems develop and submit to the commission a facilities master plan that includes an analysis of future school facility needs based on the current condition of school buildings and projected enrollment. The master plan must be approved by the local school board. Subsequently, each local school system submits a capital improvement plan to the commission that includes projects for which it seeks planning and/or funding approval for the upcoming fiscal year, which may include projects that the local system has forward funded. In addition to approval from the local school board, the request for the upcoming fiscal year must be approved by the county's governing body. Typically, the submission letter to the commission contains signatures of both the school board president and either the county executive and county council president or chair of the board of county commissioners.

Based on its assessment of the relative merit of all the project proposals it receives, and subject to the projected level of school construction funds available, the commission determines which projects to fund. By December 31 of each year, it must approve projects comprising 75% of the preliminary school construction allocation projected to be available by the Governor for the upcoming fiscal year. Local school systems may appeal these preliminary decisions by the commission. By March 1 of each year, the commission must recommend to the General Assembly projects comprising 90% of the allocation for school construction submitted in the Governor's capital budget. Following the legislative session, the commission approves projects comprising the remaining school construction funds included in the enacted capital budget, no earlier than May 1.

The State pays at least 50% of eligible costs of school construction and renovation projects, based on a funding formula that takes into account numerous factors including each local school system's wealth and ability to pay. The Public School Facilities Act (Chapters 306 and 307 of 2004) required that the cost-share formula be recalculated every three years. Chapter 14 of 2018 requires the formula to be recalculated every two years and approved by the commission. The Public School Facilities Act also established the State's intent to provide \$2.0 billion of funding for school construction by fiscal 2013, an average of \$250.0 million each year for eight years. The State achieved the \$2.0 billion target ahead of schedule, and Public School Construction Program funding has remained above the \$250.0 million target each year since. Chapter 14 of 2018 expressed legislative intent that the State should provide at least \$345.0 million for public school construction in fiscal 2019 and, as soon as practicable and within debt affordability guidelines, at least \$400.0 million each year thereafter.

Exhibit 15.5 shows fiscal 2019 public school construction funding by county. The amounts in Exhibit 15.5 include supplemental funding provided under the Capital Grant Program for Local School Systems with Significant Enrollment Growth or Relocatable Classrooms (created under Chapter 355 of 2015 and enhanced by Chapters 665 and 666 of 2016). The \$20 million of statewide funding in Exhibit 15.5 reflects funding for school safety initiatives.

Chapter 561 of 2018 established a Healthy School Facility Fund, administered by the commission, to provide grants to public schools to improve the health of school facilities (*e.g.*, air conditioning, heating, indoor air quality, mold remediation, temperature regulations, plumbing, and windows). Chapter 561 requires funding for the program of at least \$30 million each year in fiscal 2020 and 2021.

For a more detailed discussion of public school construction funding, see *Volume IX – Education in Maryland* of this Legislative Handbook Series.

Aging Schools

The Aging Schools Program provides State funding to local school systems to address the needs of their aging school buildings. The funds may be utilized for capital improvement projects in existing public school buildings and sites serving students. Annual funding amounts for each jurisdiction are established in statute and total \$6.1 million.

Exhibit 15.5
State Funding for Public School Construction
Fiscal 2019
(\$ in Thousands)

County	Total Authorizations
Allegany	\$3,950
Anne Arundel	28,832
Baltimore City	68,735
Baltimore	41,865
Calvert	9,763
Caroline	423
Carroll	6,853
Cecil	5,152
Charles	14,856
Dorchester	11,026
Frederick	19,178
Garrett	0
Harford	12,278
Howard	10,373
Kent	0
Montgomery	59,714
Prince George's	49,032
Queen Anne's	806
St. Mary's	6,347
Somerset	17,500
Talbot	8,390
Washington	12,042
Wicomico	9,971
Worcester	4,336
Statewide	20,000
Total	\$421,422

Source: Department of Legislative Services

Chapter 16. Library State Aid

Libraries are primarily a local function with most of their funding coming from county governments. The Maryland State Library Agency is statutorily charged with providing leadership and guidance for the planning and coordinated development of library and information services in Maryland. Local library boards of trustees oversee operations of the libraries. Chapters 337 and 338 of 2017 established the Maryland State Library Agency as a separate agency with a 12-member Maryland State Library Board; concomitantly the Division of Library Development and Services within the Maryland State Department of Education and the 12-member Maryland Advisory Council on Libraries were abolished. The State Librarian is appointed by the new board as the head of the agency. In general, the Maryland State Department of Education's authority and responsibilities related to library development in the State were transferred to the new board. The authority to certificate professional library personnel was retained by the department.

The State supports 24 public library systems, representing 23 counties and Baltimore City; the State Library Resource Center, within the Enoch Pratt Free Central Library in Baltimore City; three regional resource centers; and metropolitan cooperative service programs. From fiscal 2015 to 2019, State funding for local libraries increased by 15.9%, as shown in Exhibit 16.1. The allocation of library aid in fiscal 2019 for each county is provided in Exhibit 16.2.

Exhibit 16.1 Library Aid Programs – Funding Trend (\$ in Millions)

<u>Aid Program</u>	<u>FY 2015</u>	<u>FY 2019</u>	<u>Percent Change</u>
Library Aid Formula	\$34.4	\$38.9	13.0%
Baltimore City Expanded Operations ¹	0	3.0	n/a
State Library Resource Center	9.8	10.6	8.4%
Regional Resource Centers	6.4	7.7	19.2%
Other Library Network Programs	0.1	0.1	0.0%
Librarian Retirement	19.1	20.6	8.1%
Total	\$69.9	\$81.0	15.9%

¹The fiscal 2019 amount reflects additional funding (\$3.0 million annually from fiscal 2018 through 2022) for Baltimore City to expand operations per Chapters 714 and 715 of 2016.

Source: Department of Legislative Services

Exhibit 16.2
Library Aid Programs
Fiscal 2019

County	Formula Aid	Retirement	Total Aid¹	Per Capita Aid	Per Capita Ranking
Allegany	\$816,660	\$151,059	\$967,719	\$13	4
Anne Arundel	2,350,026	1,632,088	3,982,114	7	23
Baltimore City ¹	6,378,019	2,226,249	11,604,268	19	1
Baltimore	6,210,220	2,568,929	8,779,149	11	12
Calvert	481,780	407,510	889,290	10	16
Caroline	317,201	153,056	470,257	14	3
Carroll	1,032,372	869,649	1,902,021	11	10
Cecil	839,935	403,725	1,243,660	12	7
Charles	1,106,688	589,429	1,696,117	11	11
Dorchester	296,192	75,622	371,814	12	9
Frederick	1,492,874	917,750	2,410,624	10	17
Garrett	163,181	108,849	272,030	9	19
Harford	1,671,858	1,279,436	2,951,294	12	8
Howard	983,422	2,141,046	3,124,468	10	15
Kent	102,577	84,003	186,580	9	18
Montgomery	3,235,975	3,194,819	6,430,794	6	24
Prince George's	7,476,544	2,071,221	9,547,765	11	13
Queen Anne's	175,199	183,998	359,197	7	22
St. Mary's	772,409	375,244	1,147,653	10	14
Somerset	302,571	69,441	372,012	14	2
Talbot	115,562	168,080	283,642	8	21
Washington	1,361,120	504,222	1,865,342	12	6
Wicomico	1,091,004	229,453	1,320,457	13	5
Worcester	159,476	240,534	400,010	8	20
Library Network	0	0	18,380,048	3	
Total	\$38,932,865	\$20,645,412	\$80,958,325	\$13	

¹The fiscal 2019 total includes \$3.0 million in additional funding for Baltimore City to expand operations per Chapters 714 and 715 of 2016.

Source: Department of Legislative Services

Library Aid Formula

The State provides assistance to public library systems through a formula that determines the State and local shares of a minimum per capita library program. The minimum library program was \$15.50 per resident in fiscal 2019, phasing up to \$16.70 per resident beginning in fiscal 2022. Overall, the State provides about 40% of the minimum program, while the counties provide 60%. Traditionally, counties have contributed more support for libraries than is required under the formula.

In fiscal 2019, State formula aid for libraries amounted to \$38.9 million. This represented a \$4.5 million, or 13.0%, increase since fiscal 2015 when State aid was \$34.4 million. The growth was due to increases in the per resident funding amount and in Maryland population. In addition, per Chapters 714 and 715 of 2016, Baltimore City receives \$3.0 million annually over a five-year period (fiscal 2018 through 2022) to support expanded operations throughout the library system.

Distribution

The library aid formula distributes State aid to the local library boards on a wealth-equalized basis. Although overall State and local sharing of the minimum program is approximately 40% State and 60% local, the State's share for a specific library board varies depending on county wealth. Less wealthy counties receive more aid per resident than wealthy counties. However, no library board may receive less than 20% of the per capita minimum program from the State.

The calculation of the State and local shares of formula aid for a library board is based on county population and wealth. For purposes of the library aid formula, the statute defines population and wealth as follows:

- *County population:* population based on the decennial census or more recent estimates by the Maryland Department of Health, available by July 1 of the calendar year prior to the year of calculation; and
- *County wealth:* the sum of adjusted assessed valuation of real property and public utility operating property for the prior fiscal year, as determined by the State Department of Assessments and Taxation, and net taxable income as determined by the Comptroller.

The local share of each library board's minimum per capita program equals the "local contribution rate" multiplied by the county's wealth. The local contribution rate is a statewide rate representing the counties' aggregate share of the minimum library program

(in fiscal 2019, 60% of \$15.50 per resident multiplied by the statewide population) divided by statewide local wealth.

The State's share of each library board's minimum per capita program equals the product of the per capita program (\$15.50) and county population, minus the local share. For certain high-wealth counties, the calculation results in a State aid amount that is less than 20% of the per capita program funding level. For these counties, State aid is set at the 20% minimum funding level, or \$3.10 per county resident in fiscal 2019. In fiscal 2019, Howard, Montgomery, Talbot, and Worcester counties received the minimum State contribution. Exhibit 16.3 shows the library formula calculation for fiscal 2019.

Special Provisions

Any library expenditures in excess of the minimum program must be paid from local sources. Local governments may use up to 20% of the State and local shares of the minimum per capita program for capital expenses.

History of Major Changes

- 1962 Chapter 122 created the minimum library aid program.
- 1978 Chapter 988 increased per capita funding from \$4.00 to \$5.00, to take effect in fiscal 1980.
- 1982 Chapter 486 increased per capita funding from \$5.00 to \$5.67.
- 1986 Chapter 124 increased per capita funding from \$5.67 to \$6.50 and adjusted the local contribution rate calculation to include seven decimal places instead of five.
- 1987 Chapter 521 increased per capita funding from \$6.50 to \$6.75.
- 1988 Chapter 696 increased per capita funding from \$6.75 to \$7.00.
- 1989 Chapter 695 increased per capita funding from \$7.00 to \$7.25.
- 1994 Chapter 722 increased per capita funding from \$7.25 to \$8.25, effective in fiscal 1996.
- 1996 Chapter 8 increased per capita funding from \$8.25 to \$9.25, effective in fiscal 1998.
- 1998 Chapter 575 increased per capita funding from \$9.25 to \$10.75 in fiscal 1999, \$11.00 in fiscal 2000, \$11.50 in fiscal 2001, and \$12.00 beginning in fiscal 2002.

- 2005 Chapter 481 increased per capita funding by \$1.00 annually beginning in fiscal 2007 to reach a level of \$16.00 per capita in fiscal 2010.
- 2008 Chapter 414 deferred the scheduled enhancements to the library aid formula for one year. The per capita funding level used to calculate the library aid formula remained at \$14.00 for fiscal 2009 and was scheduled to resume annual \$1.00 increases in fiscal 2010 and 2011.
- 2009 Chapter 487 held the per capita funding amount used in the local library aid formula at \$14.00 for fiscal 2010 and 2011. The phase-in of formula enhancements was scheduled to restart in fiscal 2012.
- 2010 Chapter 484 eliminated the scheduled fiscal 2013 increase from \$15.00 to \$16.00 in the per capita funding amount used in the local library aid formula.
- 2011 Chapter 397 set the per capita funding amount at \$14.00 for fiscal 2012 through 2016, phasing up to \$15.00 by fiscal 2019 and in subsequent years.
- 2014 Chapter 500 increased the per capita funding amount to \$15.00 in fiscal 2016, phasing up to \$16.70 per resident by fiscal 2019.
- 2015 Chapter 489 decreased the per capita funding amount to \$14.27 in fiscal 2016, phasing up to \$16.70 per resident by fiscal 2025.
- 2016 Chapter 549 increased the per capita funding amount to \$15.00 in fiscal 2018, phasing up to \$16.70 per resident by fiscal 2022.

Legal Reference

Education Article, Sections 23-501 through 23-507

Exhibit 16.3
Library Aid Formula – Fiscal 2019

County	Population	Basic Program	Wealth	Local Share	Formula State Aid ²	Min. State Aid	State Aid ³
		\$15.50 x Population		0.0001115 ¹ x Wealth		\$3.10 x Population	
Allegany	72,130	\$1,118,015	\$2,702,732,582	\$301,355	\$816,660	\$223,603	\$816,660
Anne Arundel	568,346	8,809,363	57,931,269,647	6,459,337	2,350,026	1,761,873	2,350,026
Baltimore City	614,664	9,527,292	28,244,598,917	3,149,273	6,378,019	1,905,458	6,378,019
Baltimore	831,026	12,880,903	59,826,750,099	6,670,683	6,210,220	2,576,181	6,210,220
Calvert	91,251	1,414,391	8,364,224,256	932,611	481,780	282,878	481,780
Caroline	32,850	509,175	1,721,738,488	191,974	317,201	101,835	317,201
Carroll	167,656	2,598,668	14,047,495,727	1,566,296	1,032,372	519,734	1,032,372
Cecil	102,603	1,590,347	6,730,151,184	750,412	839,935	318,069	839,935
Charles	157,705	2,444,428	11,997,663,712	1,337,740	1,106,688	488,886	1,106,688
Dorchester	32,258	499,999	1,827,862,688	203,807	296,192	100,000	296,192
Frederick	247,591	3,837,661	21,029,484,220	2,344,787	1,492,874	767,532	1,492,874
Garrett	29,425	456,088	2,626,966,663	292,907	163,181	91,218	163,181
Harford	251,032	3,890,996	19,902,585,416	2,219,138	1,671,858	778,199	1,671,858
Howard	317,233	4,917,112	35,797,788,197	3,991,453	925,659	983,422	983,422
Kent	19,730	305,815	1,822,761,291	203,238	102,577	61,163	102,577
Montgomery	1,043,863	16,179,877	126,413,594,600	14,095,116	2,084,761	3,235,975	3,235,975
Prince George's	908,049	14,074,760	59,176,825,114	6,598,216	7,476,544	2,814,952	7,476,544
Queen Anne's	48,929	758,400	5,230,501,750	583,201	175,199	151,680	175,199
St. Mary's	112,587	1,745,099	8,723,673,386	972,690	772,409	349,020	772,409
Somerset	25,928	401,884	890,697,795	99,313	302,571	80,377	302,571
Talbot	37,278	577,809	5,073,417,067	565,686	12,123	115,562	115,562
Washington	150,292	2,329,526	8,685,252,427	968,406	1,361,120	465,905	1,361,120
Wicomico	102,577	1,589,944	4,474,798,248	498,940	1,091,004	317,989	1,091,004
Worcester	51,444	797,382	8,672,712,405	967,007	-169,625	159,476	159,476
Total	6,016,447	\$93,254,934	\$501,915,545,879	\$55,963,583	\$37,291,350	\$18,650,986	\$38,932,865

¹Local contribution rate equals the overall local share (60%) times the per capita program level (\$15.50) times the State population, divided by total State wealth.

²Equals basic program amount minus local share amount.

³Equals the greater of formula State aid and minimum State aid.

Source: Department of Legislative Services

State Library Network

Since 1888, the State has provided funds to support public libraries throughout the State under what is now known as the State library network. The network consists of the Central Library of the Enoch Pratt Free Library System in Baltimore City, three regional resource centers, and metropolitan cooperative service programs. All these systems receive State funding for operating expenses. The Enoch Pratt Free Library and the regional resource centers also receive full State funding for capital expenses.

Distribution

The Central Library of the Enoch Pratt Free Library operates as the designated State Library Resource Center. In fiscal 2019, State funding was provided at \$1.77 per State resident, translating to \$10.6 million, phasing up to \$1.85 beginning in fiscal 2021.

In addition to the State center, regional resource centers serve Western Maryland (Hagerstown), Southern Maryland (Charlotte Hall), and the Eastern Shore (Salisbury). A library may be designated as a resource center, subject to the approval of the State Library Board, if it (1) serves a population of at least 100,000; (2) is the strongest library in the region; and (3) is centrally located in the designated region. The regional centers received State funding of \$7.95 per resident of the region in fiscal 2019, which totaled \$7.7 million, phasing up to \$8.75 per resident beginning in fiscal 2022.

Metropolitan cooperative service programs may be established in regions not served by regional resource centers if they meet standards adopted by the State Library Board. Although there is no mandated funding level for cooperative service programs, the State has provided a constant level of funding for the centers at \$34,600 from fiscal 2015 to 2019.

Operating funds for the three systems are appropriated annually in the State Library Board budget. Capital project funding is provided to the State and regional resource centers through inclusion in the State's five-year capital program and legislative approval of annual authorizations. Exhibit 16.4 shows the fiscal 2019 operating funds for the State library network, totaling \$18.4 million. Overall State aid for the State library network system increased by 12.6% since fiscal 2015. State aid for the State Library Resource Center increased by 8.4%, State aid for the regional resource centers increased by 19.2%, and funding for the library cooperatives and the interlibrary program did not change.

Exhibit 16.4
State Library Network
Fiscal 2019 Appropriations

<u>Program</u>	<u>Appropriation</u>
State Library Resource Center	\$10,649,111
Regional Resource Centers	
Eastern Shore	2,790,402
Southern Maryland	2,874,267
Western Maryland	2,002,184
Library Cooperatives	34,605
Interlibrary	29,479
Total	\$18,380,048

Source: Department of Legislative Services

History of Major Changes

- 1950s Resource centers and the metropolitan services were added to the State Resource Center.
- 1998 Chapter 738 established a mandatory funding formula for the State and regional resource centers in the amount of at least \$1.70 per capita.
- 1999 Chapter 701 provided for a phase-in of a higher mandatory funding level for the State Library Resource Center, based on an amount per State resident. By fiscal 2004, the per capita amount increased to \$1.85.
- 2000 Chapter 547 provided for a phase-in of a higher mandatory funding level for the regional library resource centers, based on an amount per person residing in the region serviced by the center. By fiscal 2004, the per capita amount increased to \$4.50.
- 2005 Chapter 481 increased the mandatory funding level for regional resource centers by \$1.00 annually, from \$4.50 per resident in fiscal 2006 to \$8.50 per resident in fiscal 2010.

- 2008 Chapter 414 deferred scheduled enhancements to the regional resource funding formula for one year. State funding for regional resource centers remained at \$6.50 per resident of each region in fiscal 2009 and was scheduled to resume annual increases of \$1.00 in fiscal 2010 and 2011.
- 2009 Chapter 487 decreased required funding for regional resource centers to \$6.75 per resident of the region in fiscal 2010 and 2011 rather than \$7.50 and \$8.50, respectively. Funding enhancements were scheduled to resume in fiscal 2012 and 2013. Per resident State funding for the State Library Resource Center was reduced from \$1.85 to \$1.67, with a return to \$1.85 scheduled for fiscal 2012.
- 2010 Chapter 484 eliminated the scheduled fiscal 2013 increase for regional resource centers, holding the per resident funding amount at \$7.50 for fiscal 2012 and thereafter.
- 2011 Chapter 397 set funding for regional resource centers at \$6.75 per resident of each region for fiscal 2012 through 2016, before phasing up to \$7.50 per resident in fiscal 2019. Chapter 397 also set State Library Resource Center funding at \$1.67 per resident for fiscal 2012 through 2016, before phasing up to \$1.85 per resident by fiscal 2019.
- 2014 Chapter 500 increased per resident funding for regional resource centers to \$7.50 in fiscal 2016, phasing up to \$8.75 per resident by fiscal 2019.
- 2015 Chapter 489 reduced per resident funding for regional resource centers to \$6.95 in fiscal 2016, slowing the phase-in to \$8.75 such that it culminates in fiscal 2025 and reduced State Library Resource Center per resident funding to \$1.69 in fiscal 2017, slowing the phase-in to \$1.85 such that it culminates in fiscal 2025.
- 2016 Chapter 549 increased per resident funding for regional resource centers to \$7.55 in fiscal 2018, phasing up to \$8.75 per resident by fiscal 2022 and increased State Library Resource Center per resident funding to \$1.73 in fiscal 2018, phasing up to \$1.85 per resident by fiscal 2021.

Legal Reference

Education Article, Sections 23-201 through 23-206

Library Retirement

When eligibility for the Teachers' Retirement System was broadened in 1945, the professional and clerical employees of the county library boards were classified as teachers and allowed to join. In 1980, the Teachers' Retirement System was closed to new members and the Teachers' Pension System was established. All employer retirement costs for the library employees are paid by the State to the teachers' systems (which are within the State Retirement and Pension System). The State also pays the libraries' pro rata share of administrative costs of the State Retirement Agency and the Board of Trustees of the State Retirement and Pension System. In Montgomery County, librarians have elected to remain in the Montgomery County Retirement System, and the State pays employer retirement costs to the county. For information on recent changes affecting the teachers' systems, see Chapter 14 of this handbook, and for information on the teachers' systems in general, see *Volume V – Maryland State Personnel, Pensions, and Procurement*.

Distribution

The State Retirement and Pension System calculates a lump-sum estimate of employer retirement costs for the current fiscal year, which is included in the budget of the Maryland State Library Agency. There is no distribution of funds to the local library boards. Each board's share of the State's retirement appropriation is estimated based on county-by-county salary data. For Montgomery County, the State remits the lesser of the costs of retirement for the county or the State systems. Fiscal 2019 librarian retirement aid, which totaled \$20.6 million, is shown in Exhibit 16.2. This amounts to an increase of \$1.5 million compared to fiscal 2015.

Legal Reference

State Personnel and Pensions Article, Sections 21-308 and 21-316

County Library Capital Project Grants

Chapter 494 of 2006 established a \$5 million per year State grant program for public library capital projects to begin in fiscal 2008. To apply for a grant from the program, a local public library system must have (1) a countywide library plan that includes a mission statement, a needs statement, and multiyear goals and objectives on file with the Maryland State Library Agency and (2) a master plan that includes a description of the capital project approved by the local library board. An application must include a description of the scope and purpose of the project, a building plan that includes the total cost of the project, and any other information required by the Maryland State Library Agency.

State grants from the program require a match from any combination of county, municipal, or private sources. The grants may not be less than \$20,000. Through fiscal 2013, the maximum State share of an approved county library project was 50%. Beginning in fiscal 2014, the State share percentage for an approved project is based on the per capita wealth measure used in calculating State aid formula grants for public libraries. The State share of the capital grant program is calculated by dividing the State aid formula grant amount by the full minimum program amount (*i.e.*, the combined State and local share under the State aid formula grant program) and multiplying the result by 1.25. However, the State share cannot be less than 50% or greater than 90%. A local public library system may apply for up to three capital project grants per year. Funding from fiscal 2008 through 2019 totaled \$55.0 million, as shown in Exhibit 16.5.

Legal Reference

Education Article, Section 23-509

For more detailed information on the organization and financing of the State's public libraries, including county funding for local libraries, see *Volume II – Government Services in Maryland* of the Legislative Handbook Series.

Exhibit 16.5
Total Library Capital Grant Allocations
Fiscal 2008-2019
(\$ in Thousands)

County	Total Authorizations
Allegany	\$1,830.0
Anne Arundel	1,730.3
Baltimore City	4,640.1
Baltimore	3,298.2
Calvert	0.0
Caroline	139.6
Carroll	2,713.0
Cecil	2,933.5
Charles	841.0
Dorchester	191.1
Frederick	2,333.0
Garrett	0.0
Harford	2,348.5
Howard	5,478.7
Kent	968.0
Montgomery	6,696.3
Prince George's	2,691.7
Queen Anne's	325.0
St. Mary's	1,591.0
Somerset	5,640.5
Talbot	1,240.0
Washington	4,917.2
Wicomico	573.9
Worcester	1,904.4
Total	\$55,025.0

Source: Department of Legislative Services

Chapter 17. Community College State Aid

With the exception of Baltimore City Community College, Maryland's 16 community colleges are locally operated institutions, with oversight provided by the Maryland Higher Education Commission. Three community colleges – Chesapeake College, the College of Southern Maryland, and Wor-Wic Community College – serve regions of the State. Local community college boards of trustees oversee policy and operations with funding provided by State and local governments and generated through student tuition and fees. Baltimore City's local community college is operated by the State as a comprehensive urban community college. As a State agency, funding for Baltimore City Community College is not considered State aid and is excluded from the analyses in this chapter.

In fiscal 2017, local community colleges received a total of \$1.5 billion in financial support: 25.6% from the State; 35.1% from county governments; 11.7% from the federal government (including for student Pell grants); and 2.2% from auxiliary enterprises and other miscellaneous revenue sources. Student tuition and fee payments and other service charges comprised the remaining 25.3% of community college funding. As shown in Exhibit 17.1, State funding for community colleges increased 11.1% from fiscal 2015 to 2019. Exhibit 17.2 shows funding allocations by county.

Exhibit 17.1 Community College Aid Programs – Funding Trend (\$ in Millions)

<u>Aid Program</u>	<u>FY 2015</u>	<u>FY 2019</u>	<u>Percent Change</u>
Cade Funding Formula	\$219.5	\$240.4	9.5%
Small College Grants	4.2	6.6	56.2%
Statewide Programs ¹	6.4	8.4	31.5%
ESOL Grants	5.5	5.5	0.6%
Regular Retirement Plan	40.3	44.1	9.4%
Optional Retirement Plan	14.3	17.3	21.2%
Total	\$290.3	\$322.4	11.1%

¹Funding includes the West Virginia/Garrett Reciprocity Grant and the Somerset Grant.

ESOL: English for Speakers of Other Languages

Source: Department of Legislative Services

Exhibit 17.2
Community College Aid Programs
Fiscal 2019
(\$ in Thousands)

County	Cade Formula	Small Colleges	ESOL	Retirement	Total Aid
Allegany	\$4,944	\$1,211	\$0	\$2,206	\$8,361
Anne Arundel	28,834	0	382	6,597	35,813
Baltimore City	0	0	0	0	0
Baltimore	40,600	0	694	9,435	50,729
Calvert ²	2,612	0	5	619	3,236
Caroline ¹	1,369	190	29	311	1,899
Carroll	7,613	851	42	1,457	9,962
Cecil	5,401	851	8	1,061	7,321
Charles ²	8,491	0	16	2,011	10,518
Dorchester ¹	1,060	147	22	241	1,470
Frederick	10,295	0	272	2,407	12,974
Garrett	2,818	1,091	0	570	4,479
Harford	11,885	0	50	2,654	14,589
Howard	18,658	0	496	4,653	23,807
Kent ¹	449	62	9	102	623
Montgomery	43,927	0	2,122	16,323	62,372
Prince George's	29,515	0	1,179	6,078	36,772
Queen Anne's ¹	1,757	243	37	400	2,437
St. Mary's ²	2,894	0	6	685	3,585
Somerset ³	717	80	9	137	943
Talbot ¹	1,507	209	32	343	2,091
Washington	8,196	851	51	1,786	10,885
Wicomico ³	4,824	539	61	921	6,345
Worcester ³	2,083	233	27	398	2,740
Statewide Programs	0	0	0	0	8,439
Total	\$240,447	\$6,559	\$5,549	\$61,395	\$322,389

Regional Community Colleges: ¹Chesapeake College; ²College of Southern Maryland; ³Wor-Wic Community College

ESOL: English for Speakers of Other Languages

Source: Department of Legislative Services

Senator John A. Cade Funding Formula

The Senator John A. Cade Funding Formula, the largest community college aid program, was established in 1996 and was named for former Senator Cade in 1997. The State's annual contribution to the formula is determined by enrollment at community colleges and State funding received by public four-year institutions. Specifically, the Cade formula bases per pupil funding on a set statutory percentage of current year State appropriations per full-time equivalent student at selected public four-year institutions of higher education. The resulting community college per student amount is multiplied by the number of full-time equivalent students enrolled in the colleges in the second preceding fiscal year to identify a total formula amount.

Chapter 333 of 2006 began a phased enhancement of the Cade formula. The funding levels under the formula have been revised (both downward and upward) numerous times since then, most recently under Chapter 489 of 2015. The statutory percentage used in the formula for fiscal 2019 funding was 22% and is scheduled to phase up to 29% in fiscal 2023. State aid through the Cade formula totaled \$240.4 million in fiscal 2019, representing a 9.5% increase over fiscal 2015 funding. The distribution of Cade formula funding is detailed in *Volume IX – Education in Maryland* of this Legislative Handbook Series.

Maintenance of Effort Provision

County appropriations to locally operated community colleges are governed in part by the maintenance of effort provision, requiring counties to provide as much funding for community colleges as they provided in the previous fiscal year. Counties must adhere to the maintenance of effort requirement in order to receive aid increases under the Cade formula. The maintenance of effort provision is detailed in *Volume IX – Education in Maryland* of this Legislative Handbook Series.

Legal Reference

Education Article, Sections 16-305 and 16-308

Community College Retirement

Qualifying local community college employees are eligible to be members of one of two defined benefit plans. The first plan, available to employees hired before 1980, is the State Teachers' Retirement System. The second is the State Teachers' Pension System, for employees hired since 1980. Both systems are maintained and paid for by the State and guarantee a monthly retirement allowance based on a predetermined formula. Community college boards are charged a share of retirement system administrative costs based on the

number of their employees who are members of the Teachers' Pension System or Teachers' Retirement System.

The State also offers a defined contribution plan, the Optional Retirement Program. Employees who are eligible for either of the teachers' retirement or pension systems are also eligible for the Optional Retirement Program. Under this program, the employee and employer both make contributions toward investment products whose performance determines the amount available to the employee upon retirement.

Fiscal 2019 State funding for regular retirement and optional retirement amounted to \$44.1 million and \$17.3 million; allocation of the total \$61.4 million is shown in Exhibit 17.2. For information on recent changes affecting the teachers' systems, see Chapter 14 of this handbook, and for information on the teachers' systems in general and the Optional Retirement Program, see *Volume V – Maryland State Personnel, Pensions, and Procurement*.

Legal Reference

State Personnel and Pensions Article, Sections 21-308, 21-316, 30-205, and 30-301

Community College Construction Grant Program

State assistance for construction and capital improvements at community colleges is provided through the Community College Facilities Grant Program in accordance with provisions of the Education Article and regulations approved by the Board of Public Works. State support is based on two criteria: (1) the percentage of a program eligible for State support; and (2) the State/local cost-sharing formula defined in statute.

Regional colleges may receive up to 75% State support while other community colleges may receive between 50% and 70% State support, depending on the wealth of the jurisdiction. Construction funds may be used to acquire, design, construct, renovate, or equip community college buildings. Community colleges eligible for funding through the grant program received \$60.1 million in fiscal 2019. Exhibit 17.3 shows the distribution of funding to the colleges. Baltimore City Community College, as a State agency, receives full funding by the State for capital projects.

Exhibit 17.3
Authorized Capital Funding for Community Colleges
Fiscal 2019
(\$ in Thousands)

College	Total
Allegheny	\$1,181
Anne Arundel	2,500
Baltimore	7,044
Carroll	2,753
Cecil	0
Chesapeake	0
Frederick	300
Garrett	0
Hagerstown	278
Harford	3,460
Howard	9,888
Montgomery	15,565
Prince George's	11,164
Southern Maryland	8,962
Wor-Wic	0
Subtotal	\$63,095
Program Fund Balance	-3,000
Total	\$60,095

Source: Department of Legislative Services

Legal Reference

Education Article, Section 11-105(j)

Other Community College Grant Programs

Community colleges receive additional support from several smaller grant programs. In fiscal 2019, the miscellaneous grant programs totaled \$20.5 million, a 27.4% increase from fiscal 2015.

Unrestricted Small College Grants

When the Cade Funding Formula began, it put a greater emphasis on enrollment as the basis for distributing funds and less of a focus on prior year funding. As a result, State

funding to the smaller community colleges decreased. To account for this reduction, Chapter 105 of 1997 provided additional grants to seven small community colleges. In 1998, Chapter 570 required funding to equal \$2.0 million from fiscal 1999 to 2002.

Chapter 584 of 2000 increased the small college grants to \$2.5 million in fiscal 2003 and provided for annual inflationary adjustments after fiscal 2003. The increase was tied to the per student percentage increase in funding to public four-year institutions. Chapter 330 of 2017 set small college grant funding for all seven colleges at \$851,300 in fiscal 2019, thus significantly increasing annual funding for three of the small colleges. Under Chapter 330, annual increases after fiscal 2019 continue to be tied to the per student percentage increase in funding to public four-year institutions. In addition, Chapter 350 of 2002 allowed Allegany College and Garrett College to receive annual unrestricted grants of \$360,000 and \$240,000, respectively, which are not increased for inflation. Small college aid totaled \$6.6 million in fiscal 2019.

Tuition Programs

For certain students, the State pays some or all of the difference between in-county and out-of-county or out-of-state tuition rates. Statewide programs (\$6.0 million in fiscal 2019) pay the difference between in-county and out-of-county or out-of-state tuition rates for students enrolled in health manpower shortage programs. The West Virginia/Garrett Agreement (\$54,919) allows students from West Virginia to attend Garrett College at in-county rates, with the State paying Garrett College an amount equal to full formula support for each full-time equivalent West Virginia student enrolled under the agreement. The Somerset Grant Program (\$383,750) allows students from Somerset County to attend Wor-Wic Community College at in-county rates, with the State paying half of the difference between in-county and out-of-county rates and Somerset County paying the other half.

Fiscal 2019 funding includes a supplemental grant for community colleges that increase tuition by no more than 2% in the 2018-2019 academic year. This is the second straight year such a grant has been introduced. The fiscal 2018 grant was \$4.0 million, while the grant in fiscal 2019 is \$2.0 million.

English for Speakers of Other Languages

This program provides added State funding to community colleges based on enrollments of students in English for speakers of other languages programs at the community colleges. Each college receives \$800 per qualified full-time equivalent student. Chapter 658 of 2013 increased the annual State limit on program funding to \$8.0 million from the prior cap of \$6.0 million, and fiscal 2019 State aid for the program totaled

\$5.5 million. Baltimore City Community College also receives State funding for students who do not speak English as their first language.

Legal Reference

Education Article, Sections 16-305 and 16-508

For more information on the State’s community colleges, including the legislative history of each community college aid program, see *Volume IX – Education in Maryland* of this Legislative Handbook Series.

Chapter 18. Health State Aid

Maryland was the first state in the nation to have local health departments in each of its jurisdictions. In 1956, the State began supporting local health departments through the Case formula, named after the chairman of the commission that developed the nonstatutory formula. Following the Case Commission recommendations, the State calculated minimum budgets for each local health department and annual budget bill language specified the determination of State/local shares of each local health department's minimum budget. Under this nonstatutory budget process, State funding peaked at \$47.8 million in fiscal 1990 before falling – with the onset of the State's fiscal crisis in fiscal 1991 – to \$32.5 million in fiscal 1992 and \$14.6 million in fiscal 1993. Funding requirements were subsequently established in statute, and the current statutory funding requirements serve as the basis for the Core Funding Program. In fiscal 2019, State funding will total \$51.4 million as illustrated in Exhibit 18.1. A county-by-county allocation for fiscal 2019 is provided in Exhibit 18.2. Capital programs administered by the Maryland Department of Health which benefit local governments are also described in this chapter.

Exhibit 18.1
Local Health Aid – Funding Trend
(\$ in Millions)



Source: Department of Legislative Services

The Core Funding Program is administered by the Maryland Department of Health's Office of Population Health Improvement and is based on requirements set out in statute (the formula) that define the amount of funding that must be included in the State budget for local health services in specified fiscal years. In fiscal 2018, statute specified the dollar amount – \$49.5 million – to be included in the State budget and for fiscal 2019 and each subsequent fiscal year the amount provided must be the amount provided through the formula for the preceding fiscal year adjusted for inflation and population growth. Statute gives the Secretary of Health the authority to adopt regulations to guide the distribution of

funding, giving consideration to appropriate measures of community health need, local funding effort, and other relevant factors.

Current regulations provide that the annual formula adjustment and any other adjustment for local health services must be allocated to each jurisdiction based on its percentage share of State funds distributed in the previous fiscal year and to address a substantial change in community health need, if any, as determined at the discretion of the Secretary of Health after consultation with local health officers.

Statute specifies seven broad areas for the use of the funding: (1) communicable disease control services; (2) environmental health services; (3) family planning services; (4) maternal and child health services; (5) wellness promotion services; (6) adult health and geriatric services; and (7) administration and communication services associated with the other listed services.

In addition to the Core Funding Program, State aid to local health departments has also included certain added personnel-related funding. In fiscal 2019, for example, the \$51.4 million in total funding consisted of \$50.4 million through the Core Funding Program and \$1.0 million in added personnel-related funding.

**Exhibit 18.2
Local Health Grants
Fiscal 2019**

County	Total Aid	Per Capita Aid	Per Capita Ranking
Allegany	\$1,548,219	\$22	6
Anne Arundel	4,245,896	7	19
Baltimore City	8,366,565	14	9
Baltimore	5,518,725	7	22
Calvert	638,059	7	21
Caroline	796,334	24	3
Carroll	1,721,775	10	14
Cecil	1,160,403	11	13
Charles	1,512,057	9	16
Dorchester	755,248	23	4
Frederick	2,160,106	9	18
Garrett	732,871	25	2
Harford	2,382,981	9	17
Howard	1,781,302	6	23
Kent	605,068	31	1
Montgomery	4,038,950	4	24
Prince George's	6,458,250	7	20
Queen Anne's	618,019	12	12
St. Mary's	1,092,143	10	15
Somerset	588,947	23	5
Talbot	568,594	15	8
Washington	1,886,805	13	11
Wicomico	1,355,298	13	10
Worcester	839,541	16	7
Total	\$51,372,156	\$8	

Source: Department of Legislative Services

Trends

As mentioned above, State aid to local health departments declined significantly over the course of fiscal 1991 through 1993, but beginning in fiscal 1994, funding generally

increased or remained relatively level from year-to-year through fiscal 2008, reaching \$67.0 million in fiscal 2008. After decreasing to \$57.4 million in fiscal 2009, funding decreased more significantly in fiscal 2010 – to \$37.3 million – due to budget constraints and cost containment. Despite continuing cost containment actions that have limited funding growth since fiscal 2010, funding amounts have nonetheless increased overall since then, reaching \$51.4 million in fiscal 2019.

History of Major Changes

- 1956 State began funding local health departments through the Case formula.
- 1990s With the onset of the fiscal crisis, State funding for local health services fell to \$32.5 million in fiscal 1992 and \$14.6 million by fiscal 1993.
- 1993 Governor was required to include at least \$34 million in fiscal 1995 budget for local health services and at least \$39 million in fiscal 1996 and each year thereafter.
- 1995 Minimum funding level increased to \$41 million in fiscal 1997, with future year funding levels adjusted for inflation and population growth.
- 1996 Department of Health and Mental Hygiene (renamed the Maryland Department of Health in 2017) adopted regulations that provided for the distribution of State aid under the statutory funding levels.
- 2010 Minimum funding level rebased to \$37.3 million.
- 2014 The Budget Reconciliation and Financing Act of 2014 clarified that, beginning in fiscal 2015, the formula adjustment factor must be applied to the prior year's allocation.
- 2017 The Budget Reconciliation and Financing Act of 2017 established the funding amount for fiscal 2018 in statute (\$49.5 million, the same amount that had been budgeted in fiscal 2017 pursuant to funding increases) and required the funding amount in fiscal 2019 and subsequent fiscal years to be adjusted for inflation and population growth based on the preceding fiscal year's amount.
- 2018 The Budget Reconciliation and Financing Act of 2018 clarified ambiguities in the statute regarding the funding in the preceding year that inflation and population growth must be applied to, and the manner in which inflation and population growth is calculated.

Legal Reference

Health General Article, Title 2, Subtitle 3

Capital Programs

Community Health Facilities Grant Program

The Community Health Facilities Grant Program provides capital grants for the acquisition, design, construction, renovation, and equipping of facilities that provide mental health, developmental disabilities, and substance use disorder services. The program is considered an integral part of the State's efforts to facilitate the de-institutionalization of the mentally ill and developmentally disabled by assisting in the funding of residential facilities within the community. It also seeks to develop community resources to prevent institutionalization of the addicted. The State may fund up to 75% of the cost of each project. The fiscal 2019 capital budget included \$5.5 million in general obligation bonds for the program.

Federally Qualified Health Centers Grant Program

Federally Qualified Health Centers are private, not-for-profit health care centers that provide comprehensive primary and preventive care to all individuals regardless of insurance status or their ability to pay. The health care centers exist in areas where economic, geographic, or cultural barriers limit access to primary health care for a substantial portion of the population. The Secretary of Health may recommend grants for up to 75% of eligible costs to counties, municipal corporations, and nonprofit organizations for the following activities related to establishing and maintaining the health care centers: conversion of public buildings; acquisition of existing buildings; renovation of existing space; purchase of capital equipment; or planning, design, and construction of new facilities. The fiscal 2016 capital budget included \$2.5 million in general obligation bonds for the program.

Chapter 19. Transportation State Aid

While the State and local governments share the responsibility for providing transportation services and facilities in Maryland, the State retains the central role in planning and directing transportation projects and programs. The State constructs and maintains most of the State's major roads outside of Baltimore City, owns and operates two airports (Baltimore-Washington International Thurgood Marshall Airport in Anne Arundel County and Martin State Airport in Baltimore County), operates the Helen Delich Bentley Port of Baltimore, provides commuter rail service to both the Baltimore and Washington areas, subsidizes the Washington Metropolitan Area Transit Authority's operations in Montgomery and Prince George's counties, and owns and operates the mass transit system that serves the Baltimore metropolitan area.

The counties and municipalities construct and maintain local roads and own and operate small regional airports. Baltimore City constructs and maintains all roads, except Interstate 95, within the city. In addition, Montgomery and Prince George's counties augment the Washington metropolitan area mass transit system, and several other local governments provide modest transit services.

In fiscal 2019, local governments received \$178.1 million in State aid from highway user revenues, \$35.5 million in county transportation grants, \$22.5 million in municipal transportation grants, \$4.3 million in elderly/disabled grants, and \$1.7 million in paratransit grants. Exhibit 19.1 illustrates how State aid to local governments for transportation purposes increased by 24.4% between fiscal 2015 and 2019. Exhibit 19.2 shows the amount of State aid for local transportation programs in each county, including municipalities, and Baltimore City in fiscal 2019. For more information about the relationship between State and local transportation programs, see *Volume II – Government Services in Maryland* of the Legislative Handbook Series.

Exhibit 19.1
Transportation Aid Programs – Funding Trend
Fiscal 2015 and 2019
(\$ in Millions)

<u>Aid Program</u>	<u>2015</u>	<u>2019</u>	<u>Difference</u>	<u>Percent Difference</u>
Highway User Revenues	\$171.7	\$178.1	\$6.4	3.7%
County Transportation Grants	0.0	35.5	35.5	n/a
Municipal Transportation Grants	16.0	22.5	6.5	40.5%
Elderly/Disabled Grants	4.0	4.3	0.3	8.5%
Paratransit Grants	2.9	1.7	-1.2	-41.4%
Total	\$194.6	\$242.1	\$47.5	24.4%

Source: Department of Legislative Services

Highway User Revenues

Since the early 1900s, the State has shared motor vehicle-related revenues with the counties and Baltimore City. Initially, these revenues consisted of vehicle registration fees. In 1927, when the gasoline tax increased from \$0.02 to \$0.04 per gallon, the State began sharing these taxes with local governments. In 1968, the General Assembly approved legislation that established a formula for apportioning the county and municipal shares of highway user revenues. The legislation also initiated the sharing of motor vehicle titling taxes with the subdivisions. Legislation enacted in 1970 created the Maryland Department of Transportation and a consolidated Transportation Trust Fund. As provided by that legislation, the State shared with the counties, Baltimore City, and municipalities those revenues credited to the Gasoline and Motor Vehicle Revenue Account in the Transportation Trust Fund, more commonly referred to as “highway user revenues.” Currently, the revenues dedicated to the account include all or some portion of the motor vehicle fuel tax, vehicle titling tax, vehicle registration fees, short-term vehicle rental tax, and State corporate income tax.

Recent legislation changed the manner in which local governments receive highway user revenues from direct revenue sharing to annual capital grants, beginning in fiscal 2020. This change and the history of highway user revenues are discussed in greater detail in the following subsections.

Exhibit 19.2
Transportation Aid Programs
Fiscal 2019

County	Highway User Revenues	County Grants	Municipal Grants	Elderly/Disabled	Paratransit	Total Aid	Per Capita Aid	Per Capita Ranking
Allegany	\$840,011	\$512,616	\$1,098,554	\$141,544	\$0	\$2,592,725	\$36	9
Anne Arundel	3,290,605	3,192,308	963,713	245,966	217,351	7,909,943	14	21
Baltimore City	142,877,196	5,558,937	0	379,335	0	148,815,468	243	1
Baltimore	4,147,816	4,454,654	0	395,836	0	8,998,306	11	24
Calvert	736,767	690,124	285,250	127,003	76,099	1,915,243	21	16
Caroline	535,913	429,878	410,841	0	0	1,376,632	41	5
Carroll	1,565,363	1,217,205	1,308,436	151,029	0	4,242,033	25	13
Cecil	865,687	702,017	642,180	134,073	0	2,343,957	23	15
Charles	1,102,598	1,054,130	366,716	137,609	0	2,661,053	17	19
Dorchester	602,792	485,096	457,679	122,724	50,000	1,718,291	53	3
Frederick	2,203,663	1,474,857	2,515,095	159,159	0	6,352,774	25	14
Garrett	655,740	574,765	365,166	119,664	0	1,715,335	59	2
Harford	1,744,487	1,500,531	1,051,938	170,371	0	4,467,327	18	18
Howard	1,620,478	1,740,354	0	162,520	430,000	3,953,352	12	22
Kent	307,523	244,704	241,321	0	0	793,548	41	6
Montgomery	4,963,419	4,043,312	3,630,346	379,107	0	13,016,184	12	23
Prince George's	4,581,330	3,273,365	4,644,461	332,819	450,000	13,281,975	15	20
Queen Anne's	587,970	571,212	169,923	122,064	0	1,451,169	29	11
St. Mary's	829,728	854,891	102,136	117,447	135,000	2,039,202	18	17
Somerset	339,630	305,039	168,409	131,054	0	944,132	36	8
Talbot	538,402	351,634	639,039	360,652	40,000	1,929,727	52	4
Washington	1,364,884	953,367	1,445,299	269,015	0	4,032,565	27	12
Wicomico	1,070,665	706,582	1,250,144	146,917	55,000	3,229,308	31	10
Worcester	759,941	559,563	723,643	0	55,000	2,098,147	41	7
Total	\$178,132,608	\$35,451,141	\$22,480,289	\$4,305,908	\$1,726,068	\$242,096,014	\$40	

Note: Highway User Revenues column includes Municipal Aid.

Source: Department of Legislative Services

Historical Distribution

Historically, highway user revenues have been distributed to the Transportation Trust Fund for the Maryland Department of Transportation's capital program, debt service, and operating costs and to the counties, Baltimore City, and municipalities to assist in the development and maintenance of local transportation projects. In certain years, a portion of highway user revenues was also distributed to the State's general fund to help balance the State's budget.

In response to the ongoing budget crisis facing the State at the time, the Budget Reconciliation and Financing Act of 2010 (Chapter 484) significantly reduced the share of highway user revenues distributed to the counties and municipalities, while increasing the portion going to the general fund. In accordance with Chapter 484, in fiscal 2011, the \$1.6 billion in highway user revenues were distributed as follows: \$1.1 billion (68.5%) to the department; \$377.1 million (23.0%) to the general fund; \$129.5 million (7.9%) to Baltimore City; \$8.2 million (0.5%) to counties; and \$1.6 million (0.1%) to municipalities. The following year, the Budget Reconciliation and Financing Act of 2011 (Chapter 397) divorced the relationship between highway user revenues and the general fund, reducing the distribution of highway user revenues to the general fund in fiscal 2012 and ending the distribution to the general fund in fiscal 2013. Exhibit 19.3 illustrates this transition and funding through fiscal 2015. The same distribution percentages shown in Exhibit 19.3 for fiscal 2014 and 2015 continued through fiscal 2019.

Baltimore City has generally received a larger share of highway user revenues than other local jurisdictions. This is because the State does not conduct highway maintenance or construction in Baltimore City (except for portions of I-95) as it does in the counties.

Exhibit 19.3
Highway User Revenue Distribution
Fiscal 2012-2015
(\$ in Millions)

	2012		2013		2014		2015	
	<u>Percent</u>	<u>Dollars</u>	<u>Percent</u>	<u>Dollars</u>	<u>Percent</u>	<u>Dollars</u>	<u>Percent</u>	<u>Dollars</u>
MDOT	79.8%	\$1,318.6	90.0%	\$1,445.4	90.4%	\$1,543.4	90.4%	\$1,597.9
General Fund	11.3%	186.7						
Baltimore City	7.5%	123.9	8.1%	130.1	7.7%	130.4	7.7%	137.7
Counties	0.8%	13.2	1.5%	24.1	1.5%	25.4	1.5%	26.8
Municipalities	0.6%	9.9	0.4%	6.4	0.4%	6.8	0.4%	7.2
Total	100%	\$1,652.3	100%	\$1,606.0	100%	\$1,707.3	100%	\$1,767.6

MDOT: Maryland Department of Transportation

Source: Department of Legislative Services

For other local jurisdictions, the share of highway user revenues is distributed to all counties and municipalities based upon road miles and vehicle registrations; the county share is based upon county-only road miles and registrations and the municipal share is based upon municipal-only road miles and registrations. Exhibit 19.4 shows the local highway user revenue distribution to counties in fiscal 2019, and Exhibit 19.5 shows the local highway user revenue distribution to municipalities in fiscal 2019.

**Exhibit 19.4
Highway User Revenues – County Distribution
Fiscal 2019**

County	A Road Mileage (2017)	C % of Road Mileage	D 50% Based on Road Mileage	F Vehicle Registration (2017)	G % of Total Registration	H 50% Based on Vehicle Registration	I Total Aid Distribution
Allegany	528.7	2.46%	\$342,060	38,563	0.97%	\$135,247	\$477,307
Anne Arundel	1,779.4	8.27%	1,151,157	519,296	13.09%	1,821,263	2,972,421
Baltimore City	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Baltimore	2,694.5	12.53%	1,743,215	685,623	17.28%	2,404,602	4,147,816
Calvert	539.5	2.51%	349,052	83,696	2.11%	293,537	642,588
Caroline	475.6	2.21%	307,682	26,399	0.67%	92,586	400,268
Carroll	987.6	4.59%	638,929	140,978	3.55%	494,435	1,133,364
Cecil	605.0	2.81%	391,423	74,772	1.88%	262,239	653,662
Charles	770.1	3.58%	498,211	137,806	3.47%	483,310	981,521
Dorchester	567.4	2.64%	367,051	24,131	0.61%	84,632	451,683
Frederick	1,301.1	6.05%	841,731	151,557	3.82%	531,537	1,373,268
Garrett	683.2	3.18%	441,975	26,574	0.67%	93,200	535,175
Harford	1,059.3	4.92%	685,301	202,976	5.12%	711,873	1,397,174
Howard	1,032.5	4.80%	667,977	271,586	6.84%	952,500	1,620,478
Kent	272.4	1.27%	176,198	14,727	0.37%	51,650	227,848
Montgomery	2,323.1	10.80%	1,502,920	644,931	16.25%	2,261,887	3,764,808
Prince George's	1,853.1	8.61%	1,198,872	527,211	13.29%	1,849,023	3,047,895
Queen Anne's	553.3	2.57%	357,960	49,586	1.25%	173,907	531,867
St. Mary's	635.4	2.95%	411,072	109,756	2.77%	384,934	796,006
Somerset	350.8	1.63%	226,962	16,271	0.41%	57,065	284,027
Talbot	373.4	1.74%	241,600	24,468	0.62%	85,814	327,414
Washington	842.1	3.91%	544,770	97,779	2.46%	342,928	887,698
Wicomico	695.3	3.23%	449,810	59,336	1.50%	208,102	657,912
Worcester	588.4	2.74%	380,680	40,015	1.01%	140,340	521,020
Statewide	21,511.2		\$13,916,610	3,968,037		\$13,916,610	\$27,833,220
	B			E			

Total Amount Available = \$27,833,220

50% Based on Road Mileage = \$13,916,610 50% Based on Vehicle Registration = \$13,916,610

C = A/B D = C x \$13,916,610 G = F/E H = G x \$13,916,610 I = D + H

Source: Department of Legislative Services; Maryland Department of Transportation

Exhibit 19.5
Highway User Revenues – Municipal Distribution
Fiscal 2019

County	Road Mileage (2017)	Vehicle Registration (2017)	Total Aid Distribution
Allegany	197.2	22,619	\$362,704
Anne Arundel	92.3	40,636	318,184
Baltimore City	0.0	0	0
Baltimore	0.0	0	0
Calvert	25.1	12,600	94,179
Caroline	66.5	10,321	135,645
Carroll	176.1	42,087	431,999
Cecil	83.5	21,419	212,025
Charles	46.8	12,445	121,077
Dorchester	82.0	9,467	151,109
Frederick	307.6	88,855	830,395
Garrett	65.8	7,440	120,565
Harford	134.2	35,725	347,313
Howard	0.0	0	0
Kent	36.0	6,853	79,675
Montgomery	361.2	149,597	1,198,611
Prince George's	553.0	167,950	1,533,436
Queen Anne's	18.7	6,547	56,103
St. Mary's	13.3	3,396	33,722
Somerset	28.5	3,906	55,603
Talbot	93.7	18,579	210,988
Washington	212.4	41,862	477,186
Wicomico	202.8	31,304	412,753
Worcester	118.0	17,950	238,921
Statewide	2,914.8	751,558	\$7,422,192

Source: Department of Legislative Services; Maryland Department of Transportation

Future Year Distributions

Legislation enacted in 2018 (Chapters 330 and 331) increased the local government share of highway user revenues for fiscal 2020 through 2024 and altered the manner in which the revenues are shared. The legislation requires 100% of the funds in the Gasoline and Motor Vehicle Revenue Account to be retained by the Transportation Trust Fund beginning in fiscal 2020. Also beginning that year, instead of directly sharing these revenue with local governments, the Maryland Department of Transportation must provide capital transportation grants to local governments based on the amount of revenue allocated to the Gasoline and Motor Vehicle Revenue Account. The grants, however, continue to be considered highway user revenues.

From fiscal 2020 through 2024, amounts equivalent to 13.5% of the highway user revenues allocated must be provided to local governments through capital transportation grants as follows: Baltimore City (8.3%); counties (3.2%); and municipalities (2.0%). Beginning in fiscal 2025, amounts equivalent to 9.6% of the revenue allocated to the Gasoline and Motor Vehicle Revenue Account must be provided to local governments through capital transportation grants as follows: Baltimore City (7.7%); counties (1.5%); and municipalities (0.4%); this is equivalent to the revenue distribution to localities in fiscal 2019. The capital grants may only be appropriated if all debt service requirements and department operating expenses have been funded and sufficient funds are available to fund the capital program.

Special Provisions

Additional special provisions governing the distribution and use of local highway user revenues are summarized below.

- In order to qualify for highway user revenues, a county, municipality, or Baltimore City must certify that the revenues will be used in compliance with all applicable laws. Municipalities are further required to make a written request of the State Highway Administration for their shares of these funds at least six months before the start of the fiscal year. Any highway user revenues that are not distributed due to a local government's failure to make the required certification revert to the Transportation Trust Fund.
- Highway user revenues may be used by all jurisdictions for debt service on outstanding bonds, the construction and maintenance of roads, and the cost of transportation facilities as defined by State law. These funds also may be used to establish and maintain footpaths, bridle paths, horse trails, and bicycle trails. In

addition, revenues received by Kent County and Baltimore City may be used for other purposes such as police traffic functions and highway lighting, drainage, and street cleaning costs. Kent County also may expend funds for maintaining county-owned boat landings and paying school crossing guards. Talbot County may expend funds to maintain and repair certain private dirt and gravel roads.

Trends

Highway user revenues distributed to local governments have been relatively level in recent years, increasing only 3.7% between fiscal 2015 and 2019, as shown in Exhibit 19.1. With the change in distribution percentages in fiscal 2020, however, highway user revenues allocated to local governments are expected to exceed the amount available under the prior distribution percentages by over \$70 million annually in fiscal 2020 through 2024.

History of Major Changes

The distribution of highway user revenues has changed significantly over the past 50 years, as summarized in the timeline below.

- | | |
|------|---|
| 1968 | Formula for allocating the county and municipal share of highway user revenues established and highway user revenues distributed: <ul style="list-style-type: none"> • 60% – State; • 20% – Baltimore City; and • 20% – Counties and municipalities. |
| 1971 | Maryland Department of Transportation established and highway user revenues redistributed: <ul style="list-style-type: none"> • 65.0% – State; • 17.5% – Baltimore City; and • 17.5% – Counties and municipalities. |
| 1978 | Titling tax increased from 4% to 5%. |
| 1982 | Motor fuel tax increased from 9 to 11 cents per gallon. |
| 1983 | Motor fuel tax increased to 13.5 cents per gallon. |
| 1987 | Motor fuel tax increased to 18.5 cents per gallon. Highway user revenues redistributed: <ul style="list-style-type: none"> • 70% – State; • 15% – Baltimore City; and • 15% – Counties and municipalities. |

- 1992 Motor fuel tax increased to 23.5 cents per gallon.
- 1996 Highway user revenues redistributed:
- 70% – State;
 - Greater of \$157.5 million or 11.5% plus 11.5% of any increase in local share – Baltimore City; and
 - Remaining local share – Counties and municipalities.
- 2000 Added short-term rental vehicle revenues to tax base.
- 2003 \$17.9 million transferred from local highway user revenues to the general fund in fiscal 2003.
- 2004 \$102.4 million transferred from local highway user revenues to the general fund in fiscal 2004; and registration fees were increased 87.0% to 89.0% for passenger cars, trucks, and sport utility vehicles.
- 2005 \$102.4 million transferred from local highway user revenues to the general fund in fiscal 2005; and the Department of General Services purchases of motor fuel are exempted from the State motor fuel tax resulting in a nominal decrease in local highway user revenues.
- 2006 \$22.7 million transferred from local highway user revenues to the general fund in fiscal 2006.
- 2010 Highway user revenues formula changed to allow for separate calculations for the county and individual municipal shares. The county and municipal shares are now calculated based upon each county's or municipality's road mileage and vehicle registrations as a percentage of the county and municipal statewide totals for each. Highway user revenues redistributed for fiscal 2010, resulting in a \$303.7 million general fund distribution:
- 70% – Maryland Department of Transportation;
 - 19.5% – General fund;
 - 8.6% – Baltimore City; and
 - 1.9% – Counties and municipalities.
- 2011 Highway user revenues redistributed for fiscal 2011, resulting in a \$377.1 million general fund distribution:
- 68.5% – Maryland Department of Transportation;
 - 23% – General fund;
 - 7.9% – Baltimore City; and
 - 0.6% – Counties and municipalities.

- 2012 Highway user revenues redistributed, resulting in a \$186.7 million general fund distribution:
- 79.8% – Maryland Department of Transportation;
 - 11.3% – General fund;
 - 7.5% – Baltimore City; and
 - 1.4% – Counties and municipalities.
- 2013 Highway user revenues redistributed:
- 90% – Maryland Department of Transportation;
 - 8.1% – Baltimore City; and
 - 1.9% – Counties and municipalities.
- 2014 Highway user revenues redistributed:
- 90.4% – Maryland Department of Transportation;
 - 7.7% – Baltimore City; and
 - 1.9% – Counties and municipalities.
- 2018 Highway user revenue distribution changed from revenue sharing to an annual capital grant to local governments. The county and municipal grants continue to be calculated using the previous formula, but the distribution was increased so that local governments receive capital grants equivalent to the following percentages of revenues credited to the Gasoline and Motor Vehicle Revenue Account, from fiscal 2020 through 2024:
- 8.3% – Baltimore City; and
 - 5.2% – Counties and municipalities.
- The distribution reverts to levels equivalent to those established in fiscal 2014 (7.7% – Baltimore City; 1.9% – counties and municipalities) beginning in fiscal 2025.

Legal Reference

Tax-General Article, Title 2, Subtitles 6, 10, 11, and 13
Transportation Article, Title 8, Subtitle 4 and Sections 3-215, 3-216, 12-118, and
13-814

County and Municipal Transportation Grants

Chapter 425 of 2013, the Budget Reconciliation and Financing Act, included \$15.4 million in fiscal 2014 to fund transportation grants to municipal governments allocated in a manner consistent with the highway user revenues formula. In addition, county governments received \$10.0 million in fiscal 2014 for the purpose of pothole repairs. The fiscal 2015 budget funded the municipal transportation grants for a second year at \$16.0 million. The fiscal 2016 and 2017 budgets included a total of \$25.0 million for transportation grants to Baltimore City, counties, and municipalities. The fiscal 2018 budget increased the funding for these special grants to \$38.4 million – \$5.5 million for Baltimore City, \$12.8 million for counties, and \$20.1 million for municipalities. The fiscal 2019 budget further increased the funding for these grants to \$57.9 million – \$5.6 million for Baltimore City, \$29.9 million for counties, and \$22.5 million for municipalities.

Legal Reference

Annual budget bill

Elderly/Disabled Transportation

The Secretary of Transportation is required to identify funds within the department's annual budget to be used for elderly and disabled transportation services in each county. Through the Statewide Special Transportation Assistance Program, the Maryland Transit Administration complies with this requirement. Statewide Special Transportation Assistance Program funds, which are provided 100% from State transportation resources, are allocated as follows: 60% allocated equally to the counties and Baltimore City and 40% to the counties and Baltimore City based on the ratio of the elderly/disabled population in the jurisdiction to the statewide total. To receive these funds, counties must submit written applications and meet specified matching fund requirements. The fiscal 2019 State budget included \$4.3 million for this program.

Legal Reference

Transportation Article, Section 2-103.3

Paratransit Grants

The federal Americans with Disabilities Act requires local transit systems to provide paratransit services – transit designed specifically to accommodate disabled individuals. To comply with this federal requirement, the State allocates grant funds to local transit

systems to help defray the costs of providing the paratransit services. Chapter 687 of 1996 increased the maximum amount of paratransit grant program funding from \$3.45 million to \$4.0 million. The fiscal 2019 State budget included \$1.7 million for this program.

Legal Reference

Transportation Article, Section 2-103.5

Chapter 20. Public Safety State Aid

Local governments assume the primary responsibility for most public safety services in Maryland. County and municipal governments spent \$4.0 billion on public safety services in fiscal 2017, accounting for 11.9% of county spending and 24.1% of municipal spending. Public safety is the third largest component of county spending and the second largest component of municipal spending. To help local governments fund public safety services, the State provided \$132.7 million in financial assistance in fiscal 2019. Most of this funding is targeted to police protection, with funding for fire protection accounting for 11% of State public safety aid. From fiscal 2015 to 2019, State funding for local public safety agencies increased by 21.3% as shown in Exhibit 20.1. The allocation of public safety aid in fiscal 2019 for each county is provided in Exhibit 20.2.

Exhibit 20.1
Public Safety Aid Programs – Funding Trend
(\$ in Millions)

Aid Program	FY 2015	FY 2019	Difference	Percent Difference
Police Aid Formula	\$67.3	\$74.5	\$7.2	10.7%
Targeted Crime Grants	21.0	26.9	6.0	28.4%
Vehicle Theft Prevention	1.5	1.9	0.3	22.6%
Fire Aid Formula	11.7	15.0	3.3	28.2%
9-1-1 Emergency Grant	7.8	14.4	6.6	83.5%
Total	\$109.3	\$132.7	\$23.3	21.3%

Source: Department of Legislative Services

Exhibit 20.2
Public Safety Aid Programs by County
Fiscal 2019

County	Police Aid	Fire Aid	Targeted/Other	Total Aid	Per Capita Aid	Per Capita Ranking
Allegany	\$856,247	\$334,380	\$0	\$1,190,627	\$17	13
Anne Arundel	8,939,029	1,246,559	0	10,185,588	18	10
Baltimore City ¹	0	1,363,925	11,851,274	13,215,199	22	5
Baltimore	12,782,211	1,725,252	0	14,507,463	17	11
Calvert	798,454	300,000	0	1,098,454	12	21
Caroline	335,608	312,660	0	648,268	20	8
Carroll	1,585,364	387,701	0	1,973,065	12	22
Cecil	1,001,277	307,350	0	1,308,627	13	18
Charles	1,377,091	381,756	0	1,758,847	11	24
Dorchester	376,196	326,970	0	703,166	22	4
Frederick	2,460,987	566,349	0	3,027,336	12	20
Garrett	224,079	300,000	0	524,079	18	9
Harford	2,850,307	572,739	0	3,423,046	14	17
Howard	3,838,281	617,226	0	4,455,507	14	16
Kent	199,735	310,710	0	510,445	26	1
Montgomery	16,303,507	1,961,675	0	18,265,182	17	12
Prince George's	14,993,795	1,699,001	4,779,988	21,472,784	24	2
Queen Anne's	434,769	300,000	0	734,769	15	14
St. Mary's	958,007	300,000	0	1,258,007	11	23
Somerset	243,211	308,790	0	552,001	21	6
Talbot	421,522	319,140	0	740,662	20	7
Washington	1,523,836	339,691	0	1,863,527	12	19
Wicomico	1,124,826	336,240	0	1,461,066	14	15
Worcester	828,877	381,886	0	1,210,763	23	3
Unallocated	0	0	26,597,064	26,597,064	4	
Total	\$74,457,216	\$15,000,000	\$43,228,326	\$132,685,542	\$22	

¹Baltimore City's share of police aid funding was reduced significantly beginning in fiscal 1992 due to the State assumption of the Baltimore City Detention Center and Central Booking Facility.

Source: Department of Legislative Services

Police Protection

State and local governments share law enforcement responsibilities in most counties with local sheriffs and police departments acting as the primary local law enforcement agency and the Department of State Police focusing on traffic management and specialized services. Under the Maryland Constitution, each county and Baltimore City is required to elect a sheriff, who is by common law the primary public safety officer of the jurisdiction. State law also authorizes counties to provide for a separate county police force. Local governments maintaining county police forces include Anne Arundel, Baltimore, Howard, Montgomery, and Prince George’s counties, along with Baltimore City. The law is silent on the specific duties of these county law enforcement agencies. In practice, county police departments have become the primary law enforcement agencies in these counties. The sheriff’s departments in these counties primarily support judicial functions such as courtroom security and service of process. A number of municipalities also maintain police forces. In fiscal 2017, the most recent data available, county governments and Baltimore City spent \$1.8 billion on police protection, and municipal governments spent \$255.2 million.

Although the responsibility for funding local law enforcement agencies lies primarily with local governments, the State supports local law enforcement activities by providing various types of grants to local jurisdictions. The largest portion of State funding is allocated through a statutory formula (State Aid for Police Protection Fund) with smaller amounts distributed through targeted grants (*e.g.*, drug enforcement grants, community program grants, violent crime grants, and gun violence reduction grants) and the Vehicle Theft Prevention Program. In fiscal 2019, State assistance to local law enforcement agencies via the police protection fund totaled \$74.5 million, targeted crime grants totaled \$26.9 million, and State assistance to local law enforcement agencies via the Vehicle Theft Prevention Program totaled \$1.9 million. Nearly all of these grants are administered by the Governor’s Office of Crime Control and Prevention.

State Aid for Police Protection Fund (Police Aid Formula)

Grants are made to the counties and qualifying municipalities under the State Aid for Police Protection Fund (established in 1967) for the exclusive purpose of providing adequate police protection in local communities.

In order for a municipality to qualify for grants, it must have expenditures for police protection that exceed \$5,000 annually and employ at least one qualified full-time police officer or have expenditures for police protection that exceed \$80,000 annually and employ at least two qualified part-time officers from a county police department or county sheriff’s department.

Baltimore City was excluded from the formula beginning in fiscal 1992 due to the State's assumption of the Baltimore City Detention Center (see Chapter 23 of this handbook volume for more information on State-assumed pretrial detention facilities in Baltimore City, including the recent closure of the Baltimore City Detention Center). While a relatively small supplemental grant was provided to the city under the formula beginning in fiscal 1997, more recently the amount has become canceled out by crime and wealth assessments (discussed below) that are subtracted from the formula allocation to account for a portion of the costs of the crime laboratory of the Department of State Police. Separate from the police aid formula, the Baltimore City Police Department receives a direct police grant from the State that is discussed below under Targeted Grants.

Administration and Distribution

Chapter 515 of 2008 transferred administration of the fund from the Department of State Police to the Governor's Office of Crime Control and Prevention. Exhibit 20.3 shows the allocation of police aid for each county in fiscal 2019. The funding is distributed based on a formula made up of various components that generally allocate the funding based on the counties' population and population density, with greater amounts of funding going to counties with higher populations and higher population densities.

Since fiscal 2004, statute has required a crime assessment amount and wealth assessment amount to be subtracted from the counties' formula allocation amounts, to account for a portion (30%) of the costs of the crime laboratory of the Department of State Police (the crime assessment accounts for 10% of the costs and the wealth assessment accounts for an additional 20% of the costs). The crime assessment amount for each county is based on the percentage of serious crimes occurring in the State that occur in the county and the wealth assessment is based on the percentage of the wealth base of the State that is attributed to the county.

With the exception of certain components of the formula, most of the funding distributed to each county under the formula is allocated among the county and the qualifying municipalities within the county, proportionally, based on the county's and qualifying municipalities' expenditures for police protection in the previous fiscal year.

Exhibit 20.3
State Aid for Police Protection (Police Aid Formula)
Fiscal 2019

County	County Amount	Municipal Amount	Total
Allegany	\$230,107	\$626,140	\$856,247
Anne Arundel	7,871,162	1,067,867	8,939,029
Baltimore City ¹	0	0	0
Baltimore	12,782,211	0	12,782,211
Calvert	719,798	78,656	798,454
Caroline	172,589	163,019	335,608
Carroll	866,290	719,074	1,585,364
Cecil	519,041	482,236	1,001,277
Charles	1,286,165	90,926	1,377,091
Dorchester	135,498	240,698	376,196
Frederick	1,086,363	1,374,624	2,460,987
Garrett	204,446	19,633	224,079
Harford	2,067,940	782,367	2,850,307
Howard	3,838,281	0	3,838,281
Kent	110,555	89,180	199,735
Montgomery	14,180,847	2,122,660	16,303,507
Prince George's	11,556,124	3,437,671	14,993,795
Queen Anne's	349,901	84,868	434,769
St. Mary's	944,767	13,240	958,007
Somerset	107,985	135,226	243,211
Talbot	106,354	315,168	421,522
Washington	699,204	824,632	1,523,836
Wicomico	384,606	740,220	1,124,826
Worcester	153,146	675,731	828,877
Total	\$60,373,380	\$14,083,836	\$74,457,216

¹Baltimore City's share of police aid funding was reduced significantly beginning in fiscal 1992 due to the State assumption of the Baltimore City Detention Center and Central Booking Facility.

Source: Governor's Office of Crime Control and Prevention

Legal Reference

Public Safety Article, Sections 4-501 through 4-509

Targeted Crime Grants

State funding for targeted crime grants totaled \$26.9 million in fiscal 2019. Most of the funds were allocated to Baltimore City and Prince George's County, which have higher rates of violent crime. However, funding for many of the programs is provided on a statewide or multi-jurisdiction basis. Exhibit 20.4 shows the level of State funding for these programs in fiscal 2019.

Exhibit 20.4 Targeted Crime Grant Funding Fiscal 2019

	<u>Aid Amount</u>	<u>Percent of Total</u>
Baltimore City		
Direct Police Grant	\$9,180,112	34.07%
State's Attorney's Office	1,955,951	7.26%
War Room	<u>715,211</u>	<u>2.65%</u>
<i>Subtotal</i>	<i>\$11,851,274</i>	<i>43.99%</i>
Prince George's County		
Drug Enforcement	\$1,214,610	4.51%
State's Attorney's Office	1,272,889	4.72%
Violent Crime	<u>2,292,489</u>	<u>8.51%</u>
<i>Subtotal</i>	<i>\$4,779,988</i>	<i>17.74%</i>
Statewide/Multi-jurisdiction		
Body Armor for Local Law Enforcement	\$49,088	0.18%
Community Program Fund	500,000	1.86%
Day Reporting Centers	270,000	1.00%
Domestic Violence	196,354	0.73%
Internet Crimes Against Children	2,000,000	7.42%
Police Training	50,000	0.19%
Pretrial Services	1,000,000	3.71%
Safe Streets	4,589,746	17.04%
Sex Offender Compliance	728,916	2.71%
Gun Violence Reduction	<u>926,940</u>	<u>3.44%</u>
<i>Subtotal</i>	<i>\$10,311,044</i>	<i>38.27%</i>
Total	\$26,942,306	100.0%

Source: Department of Legislative Services

Safe Streets

On February 21, 2008, the Governor, the Speaker of the House, the Mayor of Annapolis, the U.S. Attorney for Maryland, and local officials announced a comprehensive plan to reduce crime in Annapolis and signed a memorandum of understanding establishing the Capital City Safe Streets Coalition. Since then, the program has been expanded, funding efforts in other jurisdictions across the State (Anne Arundel County, Baltimore City, Cambridge, Cecil County, Cumberland, Frederick, Hagerstown, Harford County, Hyattsville, and Salisbury) designed to significantly reduce crime through interagency information sharing and coordination. Efforts targeted specifically toward addressing drug trafficking and use have also been included under the program more recently. The grant funding for this program totals \$4.6 million for fiscal 2019.

Baltimore City Direct Police Grant

This grant provides \$9.2 million to Baltimore City for foot patrol (deployment of additional police officers on the city's streets in order to improve communication with city residents and deter criminal activity), enhancement of community policing programs, and to combat violent crime.

Violent Crime Grant

Funding for this grant began in fiscal 1993 and provides \$2.3 million to Prince George's County for the purpose of combating violent crime.

Body Armor for Local Law Enforcement Grant

This grant provides \$49,100 to law enforcement agencies for the purchase of protective body armor for police officers.

Drug Enforcement Grant

This grant provides \$1.2 million to Prince George's County to fight narcotics trafficking. Funding for this grant began in fiscal 1989.

Domestic Violence Grant

This grant began in fiscal 2001 and provides \$196,400 for the primary purpose of reducing the time between the issuance of domestic violence-related *ex parte* and protective orders and their entry into the Maryland Electronic Telecommunications Enforcement Resource System/National Crime Information Center (METERS/NCIC).

Gun Violence Reduction Grant

This grant provides nearly \$1.0 million in funding to local law enforcement agencies and State's Attorneys' offices for the purpose of reducing gun violence in Maryland. The grant was established by the Responsible Gun Safety Act of 2000 and was first funded in fiscal 2002.

Sex Offender Compliance

The Sex Offender and Compliance Enforcement in Maryland Program provides resources to all 24 designated State law enforcement agencies responsible for the registration and re-registration of sex offenders in the offender registry. Current grant funding through the Governor's Office of Crime Control and Prevention assists local law enforcement agencies in the enforcement of registration and compliance requirements. The fiscal 2019 grant totals \$728,916.

State's Attorney's Offices and War Room Grants

Both the Baltimore City and Prince George's County State's Attorneys' offices receive annual direct grant funding – in fiscal 2019, \$2.0 million and \$1.3 million, respectively. Baltimore City also receives an additional grant – \$715,200 in fiscal 2019 – to offset expenses associated with operating its “war room,” which was launched in 2003 as a collaborative effort between the Baltimore City State's Attorney's Office and State Parole and Probation officials to collect and analyze information about repeat, violent offenders for use at their bail review hearings.

Police Training Grants

The Police and Correctional Training Commissions distribute \$50,000 annually to support local law enforcement training.

Internet Crimes Against Children

The recently established (Chapter 516 of 2016) Internet Crimes Against Children Task Force Fund provides (1) grants to local law enforcement agencies for salaries, training, and equipment to be used for the investigation and prosecution of Internet crimes against children; (2) funding for the task force established by the Department of State Police; and (3) funding for child advocacy centers. In fiscal 2019, \$2.0 million was provided for the program.

Day Reporting Centers

The Day Reporting Centers Program provides funding to local jurisdictions – \$270,000 in fiscal 2019 – to implement day reporting centers which provide community-based services and treatment to offenders under parole/probation or pretrial supervision.

Community Program Fund

The Community Program Fund, established in 2016 (Chapter 519), provides \$500,000 annually to assist (1) local law enforcement agencies in establishing community programs and (2) agencies of local governments in establishing violence intervention programs.

Pretrial Services

The newly established (Chapter 771 of 2018) Pretrial Services Program Grant Fund provides grants to counties to establish or improve pretrial services programs. In fiscal 2019, \$1.0 million was provided for those grants.

Legal Reference

Annual Budget Bill

Vehicle Theft Prevention Program

In 1992, the Governor’s Commission on Vehicle Theft and Related Crimes was established to address the rise in vehicle thefts. Based on the commission’s recommendations, legislation was enacted in 1994 that established the Vehicle Theft Prevention Council and the Vehicle Theft Prevention Fund (Chapter 459 of 1994). Both the council and fund were to terminate on July 1, 1997; however, the General Assembly twice extended the sunset date to July 1, 2000 (Chapter 434 of 1997), and to July 1, 2003 (Chapter 338 of 2000). The Budget Reconciliation and Financing Act of 2002 (Chapter 440) repealed the sunset date.

The Maryland Vehicle Theft Prevention Council, a unit within the Department of State Police, is statutorily charged with assisting local jurisdictions with the highest incidence of vehicle thefts in prevention and deterrence efforts. Grants from the fund are made to “enhance and complement” existing resources.

The Vehicle Theft Prevention Program provides grants to law enforcement agencies, prosecutors’ offices, local governments, and community organizations for the purpose of establishing vehicle theft prevention, deterrence, and educational programs and

enhancing prosecution and adjudication of vehicle theft crimes. Funding for the program is provided through the Vehicle Theft Prevention Fund, a nonlapsing dedicated fund that receives up to \$2.0 million a year from penalties collected for lapsed or terminated insurance coverage. State funding provided to local government through this program totaled \$1.9 million in fiscal 2019.

Distribution

The Vehicle Theft Prevention Council targets funds to jurisdictions that have the highest auto theft rates in the State. With 13 appointed members, the council includes representatives of law enforcement, State's Attorneys' offices, automobile insurers, State government, and the general public. The council awards grants based upon the review of applications submitted by various law enforcement and community organizations. Exhibit 20.5 shows the grants awarded for fiscal 2017.

Legal Reference

Public Safety Article, Sections 2-701 through 2-703
Transportation Article, Section 17-106

Exhibit 20.5
Vehicle Theft Prevention Program
Fiscal 2017 Allocation

Anne Arundel County	
Anne Arundel County Police Department	\$60,000
Annapolis City Police Department	20,500
Baltimore City	
Baltimore City State’s Attorney	50,000
Community Conferencing Center	20,000
Northwest Citizens’ Patrol Group	30,000
Baltimore County	
Baltimore County Police Department	365,000
Baltimore County State’s Attorney	115,000
Charles County	
Charles County Sheriff’s Office	20,000
Harford County	
Harford County Sheriff’s Office	32,635
Howard County	
Howard County Police Department	147,000
Montgomery County	
Montgomery County Police Department	165,000
Prince George’s County	
Prince George’s County Police Department	330,000
Prince George’s County State’s Attorney’s Office	90,000
Olde Mill Foundation	22,000
Maryland State Agencies	
MD State Police – Auto Theft Unit	131,000
MD Community Crime Prevention Institute	22,000
Vehicle Theft Prevention Council – Public Awareness	34,000
MD Motor Vehicle Administration	96,000
Other	
Industry Merged with Police Against Car Theft – IMPACT	37,000
Washington College	68,000
Total	\$1,855,135

Source: Maryland Vehicle Theft Prevention Council, 2016 Annual Report

Fire Protection

Funding for fire protection in Maryland comes from three basic sources: (1) fundraising by individual fire companies; (2) local government contributions; and (3) State grants. Information on the amount of funds raised by individual fire companies is not known. In many counties, fire companies rely heavily on local fundraising activities as a revenue source. In fiscal 2017, county governments and Baltimore City spent \$1.1 billion on fire protection, and municipal governments spent \$56.0 million. State funding is provided through the Senator Amoss Fire, Rescue, and Ambulance Fund (\$15.0 million in fiscal 2019) and the Volunteer Company Assistance Fund (\$2.6 million in fiscal 2019). These State programs assist with the purchase or rehabilitation of fire and rescue apparatus, capital equipment, and facilities.

Senator Amoss Fire, Rescue, and Ambulance Fund (Fire Aid Formula)

The State provides formula grants to counties, Baltimore City, and qualifying municipalities for local and volunteer fire, rescue, and ambulance services through the Senator William H. Amoss Fire, Rescue, and Ambulance Fund established in 1985. Chapters 100 and 101 of 2005 transferred the functions, powers, duties, assets, and liabilities of the fund from the Department of State Police to the Maryland Emergency Management Agency. Although the statute specifies the distribution of the funds, the amount available for distribution depends upon the amount provided in the annual State budget. Part of the revenues from a surcharge on vehicle registrations funds these grants.

Distribution

Annual appropriations totaled \$10 million for a number of years, until Chapter 429 of 2013 increased the annual vehicle registration fee surcharge and expressed intent that the annual appropriation increase to \$15 million by fiscal 2017. Fiscal 2017 funding did, in fact, total \$15.0 million and has remained at that level through fiscal 2019. Funding distribution is based on each county's proportionate share of property tax accounts (including vacant unimproved properties) relative to the statewide total, as certified by the State Department of Assessments and Taxation.

Qualified municipalities in the county are guaranteed to receive a percentage of funds received by the county equal to one-half of the proportion that the municipalities' expenditures bear to the county's expenditures. To be eligible for the distribution, a municipality must spend more than \$25,000 from municipal revenues for fire protection. Each county is guaranteed a minimum 2% share of the total funds, in addition to the amounts that are distributed to qualifying municipalities. Chapter 332 of 2013 requires

that each county distribute to volunteer fire, rescue, and ambulance companies either a percentage equal to the percentage of funds distributed to volunteer companies in fiscal 2011 or at least 51% of the allocation received, whichever is greater.

Special Provisions

Counties and municipalities must allocate their State grants to departments, stations, or companies, including volunteer companies, based on need. Funds may be used for acquisition or rehabilitation of fire or rescue apparatus or capital equipment, for rehabilitation of facilities to house equipment, to install life safety and fire protection systems, and to acquire specified land and other equipment for fire protection, rescue, and ambulance services. State grants may not be used for administrative or operating costs; fuel, utility, or routine maintenance costs of facilities or equipment; acquisition of fire hydrants or water mains; fundraising; insurance; or 9-1-1 emergency service. Chapter 225 of 2014 established waivers, including a rebasing waiver, for failure to meet maintenance of effort, and clarified that any penalty applies in the second subsequent fiscal year after the failure to meet requirements. A county that fails to maintain a level of specified local spending for fire protection services equal to the average expenditure for the three preceding fiscal years is subject to a State aid penalty equal to the percentage by which the county fails to maintain effort. County expenditures for fire protection must at least match the State aid.

Legal Reference

Public Safety Article, Sections 8-101 through 8-106, and Transportation Article, Section 13-955

Volunteer Company Assistance Fund

In addition to formula grants, the State supplements funding to volunteer fire companies through the Volunteer Company Assistance Fund, a special, nonlapsing fund that assists volunteer fire, rescue, and ambulance companies with the cost of purchasing or refurbishing fire and rescue equipment and updating or replacing facilities needed to house equipment. A volunteer company receiving a grant must provide at least a 30% match of the award amount, and loans from the fund may only be awarded to assist with up to 75% of the total cost of equipment or facilities being purchased. Most of the money from the fund is awarded for loans. In fiscal 2019, \$2.6 million was made available from the fund.

Legal Reference

Public Safety Article, Sections 8-201 through 8-206

9-1-1 Emergency Telephone System

Maryland's 9-1-1 emergency telephone system statute was enacted in 1979. The law requires all counties and Baltimore City to establish an operational 9-1-1 system and creates the 9-1-1 Trust Fund to assist counties in funding these systems. In 1990, the law was amended to require all counties and Baltimore City to have enhanced systems in place by July 1, 1995. Enhanced systems are capable of providing the street address of the caller. In addition, Chapter 451 of 2003 required the establishment of wireless enhanced 9-1-1 service (also known as Wireless Phase II) in the State. Chapter 425 of 2012 required the Emergency Number Systems Board to establish planning guidelines for Next Generation 9-1-1 Services system plans and deployment. Next Generation 9-1-1 refers to a system that allows call centers to receive voice calls, text, multimedia, and data using Internet Protocol-based network connectivity. The State and counties have engaged a consultant to facilitate the transition to Next Generation 9-1-1 services. In addition, Chapter 302 of 2018 established the Commission to Advance Next Generation 9-1-1 Across Maryland to study and make recommendations regarding specified issues related to Next Generation 9-1-1 services.

Distribution

Oversight of local 9-1-1 systems is provided by the Emergency Number Systems Board, which reports to the Secretary of Public Safety and Correctional Services. The board administers the use of both local and State 9-1-1 fees that are placed on telephone subscribers' monthly statements. This includes the 25-cent State "9-1-1 fee" and the local "additional charge" of up to 75 cents. Chapter 313 of 2013 established a 60-cent "prepaid wireless E 9-1-1 fee" on each prepaid wireless service retail transaction (15 cents State/45 cents local). The State and local fees go into the 9-1-1 Trust Fund from which disbursements are then made to the counties. Money collected from the State "9-1-1 fee" is used to reimburse counties for the cost of enhancing a 9-1-1 system. The county fees may be used by counties for maintenance and operation costs of the 9-1-1 system. The Department of Public Safety and Correctional Services indicated in June 2018 that the county fees cover approximately 45% of the actual 9-1-1 center operating costs statewide (that amount has varied within the range of approximately 30% to 50% in recent years), and the amount covered by the county fee can vary in individual counties from approximately 5% to 55%. The remaining funding must be covered by local revenues. State funding (from the State "9-1-1 fee" and from 25% of the "prepaid wireless E 9-1-1 fee") to counties in support of local 9-1-1 emergency systems totaled \$14.4 million in fiscal 2019.

Legal Reference

Public Safety Article, Sections 1-301 through 1-313

Local Jails and Detention Centers Grant Program

In general, correctional facilities in the State are handled through a bifurcated system, with short-term inmates held at the local level and those with longer sentences incarcerated by the State. The State prison system incarcerates prisoners with sentences of more than a year. This minimum sentence was raised from 3 months in 1986. Judges may sentence convicts to local detention centers if the sentence is 18 months or less. If the sentence is a year or less, the inmate must be assigned to a local facility. Local correctional systems also handle those inmates awaiting trial and those awaiting transfer to State or federal custody. Persons sentenced in Baltimore City are generally incarcerated in State correctional facilities.

In order to meet the needs of growing inmate populations at the local level, the State pays a minimum of 50% of eligible costs for construction or expansion of local detention centers. If a county can demonstrate that a portion of the expansion is necessary to house additional offenders serving between 6- and 12-month sentences due to sentencing changes made by Chapter 128 of 1986, then the State provides 100% of funding for that portion of the project. The Department of Public Safety and Correctional Services processes the applications for State funding. The department determines the portion of the project cost eligible for State participation. State funds may only be used for costs directly related to incarceration. In fiscal 2019, the General Assembly authorized \$7.3 million for capital projects at local detention facilities.

Additional Information

For more detailed information on the organization of and fiscal relationship between the State and the counties with regard to the State's public safety systems, see *Volume II – Government Services in Maryland* of the Legislative Handbook Series.

Chapter 21. Environment and Recreation State Aid

Maryland is recognized as a national leader for its efforts to protect the environment and to provide quality recreational programs to its citizens. The State provides financial assistance to local governments for land conservation and recreation, water quality-related improvements, and other purposes through various programs and funding sources such as Program Open Space, the Bay Restoration Fund, and the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. This chapter describes these and various other programs and funds from which financial assistance is directed to local governments.

In fiscal 2019, local governments received \$7.3 million in direct State aid funding for (1) operation and maintenance of wastewater treatment plants with enhanced nutrient removal upgrades and (2) local government administrative costs under the Chesapeake and Atlantic Coastal Bays Critical Areas Program. In addition, capital environmental and recreation programs included \$170.0 million in funding for local projects identified in the fiscal 2019 capital budget. Local governments also benefit from other State environment-related programs, including revolving loan programs, grant programs available to local governments as well as other entities, and State-local cooperative land preservation efforts.

Direct Aid (Operating Funding)

Wastewater Treatment – Enhanced Nutrient Removal

In addition to capital funding provided through the Bay Restoration Fund (discussed further below) to upgrade wastewater treatment plants in the State, the Maryland Department of the Environment provides grants to local governments to assist with operation and maintenance costs associated with enhanced nutrient removal at the facilities. As shown in Exhibit 21.1, the fiscal 2019 budget included \$7.0 million in funding for those operation and maintenance costs, which is an increase of \$4.4 million over the fiscal 2015 amount.

Exhibit 21.1
Environment and Recreation Aid Programs – Funding Trend
Fiscal 2015 and 2019
(\$ in Millions)

<u>Aid Program</u>	<u>2015</u>	<u>2019</u>	<u>Difference</u>	<u>Percent Difference</u>
Wastewater Treatment – Nutrient Removal	\$2.6	\$7.0	\$4.4	173.3%
Critical Areas Grant	0.2	0.3	0.01	3.1%
Total	\$2.8	\$7.3	\$4.4	158.4%

Source: Department of Legislative Services

Chesapeake and Atlantic Coastal Bays Critical Area Grants

The Chesapeake and Atlantic Coastal Bays Critical Area Program is intended to foster more sensitive development activity for certain shoreline areas to minimize damage to water quality and natural habitats. The program is implemented cooperatively by the State, through the Critical Area Commission (within the Department of Natural Resources), and affected local governments. Local jurisdictions implement local critical area programs that are subject to regulations established by the Critical Area Commission and review and approval by the commission.

The Critical Area Commission provides grants to 16 counties (Anne Arundel, Baltimore, Calvert, Caroline, Cecil, Charles, Dorchester, Harford, Kent, Prince George's, Queen Anne's, St. Mary's, Somerset, Talbot, Wicomico, and Worcester), Baltimore City, and 31 municipalities to defray administrative costs, under Section 8-1808 of the Natural Resources Article. In fiscal 2019, a total of just over \$250,000 in grants was allocated to those jurisdictions.

Capital Grant and Other Programs

In addition to direct operating aid, local governments benefit from local capital projects identified in the capital budget under various State environment and recreation programs (shown in Exhibit 21.2), revolving loan programs, broader State grant programs available to local governments as well as other entities, and State-local cooperative land preservation efforts.

Exhibit 21.2
Environment and Recreation Capital Grant Programs
Funding for Local Projects
Identified in Fiscal 2019 Capital Budget

<u>Program</u>	<u>Amount</u>
Chesapeake Bay Restoration Fund	\$85,000,000
Program Open Space	58,787,825
Waterway Improvement Fund	8,181,075
Energy-Water Infrastructure Program	8,000,000
Water Supply Financial Assistance Program	3,303,000
Coastal Resiliency Program	3,225,000
Community Parks and Playgrounds	2,500,000
Hazardous Substance Cleanup Program	500,000
Mining Remediation Program	500,000
Total	\$169,996,900

Source: Department of Legislative Services

Land Conservation and Recreation

Program Open Space

Program Open Space provides dedicated funds for State and local parks and conservation areas. The program expedites the acquisition of conservation and scenic areas to avoid permanent forfeiture of such land due to unaffordable land prices and development. Both the State and local governments may use Program Open Space funding for land acquisition and the development of park and recreation facilities. State and local funding is based on a statutory formula. The program was established in 1969, and today over 6,000 individual county and municipal parks and conservation projects have been assisted by it. The Department of Natural Resources administers the program and allocates funding to both State and local projects.

Funding and Distribution: In the past, Program Open Space was funded primarily with State transfer tax revenue in most years. However, in more recent years, transfer tax revenue funding for Program Open Space has been diverted, primarily to the general fund, and partially replaced with bond proceeds. Additionally, to relieve pressure on the general fund, Chapter 2 of the 2007 special session required that a portion of Program Open Space funding (20% of certain available funding, or \$21 million, whichever is greater), which

previously was distributed to the local governments, be used for the operation of State forests and parks. Program Open Space also receives some federal funding.

In fiscal 2019, the local share of Program Open Space funding was \$53.3 million. In addition, from the State's share of Program Open Space funding, Baltimore City received an additional \$5.5 million as a direct grant for park projects.

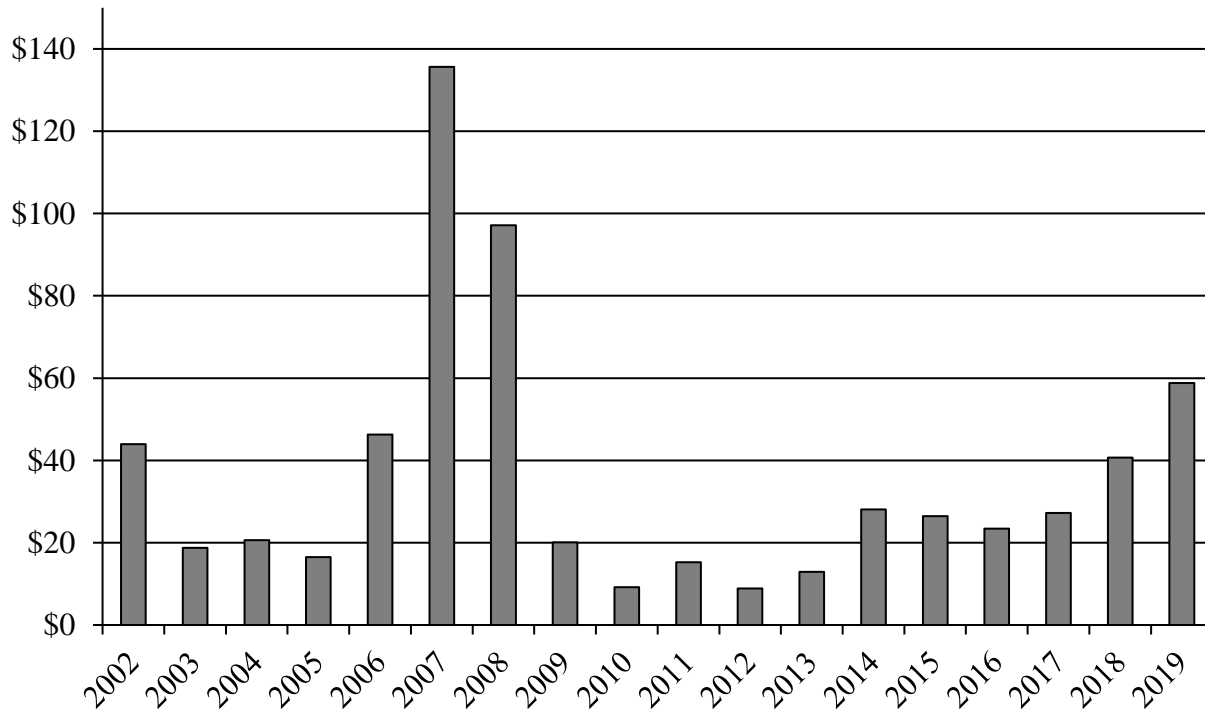
The local share of Program Open Space funding is allocated among the local governments according to a formula established in 1982 that is based on past grant amounts, population change, and transfer tax revenue collections in each jurisdiction. Counties must submit an annual program of proposed acquisition and development projects to the Department of Natural Resources for approval each year. Legislators from the district within which any part of the local jurisdiction is located are given the opportunity to review and comment on the annual program prior to its approval. The annual program then becomes the basis for a grant agreement for the total allocation to each of the local governing bodies. A county must also submit an updated land preservation, parks, and recreation plan every five years to the Department of Natural Resources and the Maryland Department of Planning for joint approval. The Department of Natural Resources, in consultation with the Maryland Department of Planning, also updates a Maryland Land Preservation and Recreation Plan (most recently updated in spring 2014 and planned to be updated again in spring 2019).

Municipalities also may receive Program Open Space funding through their counties. They apply to the counties for the funds, and each county then considers municipal projects along with other county projects.

Funding History: Funding for Program Open Space has evolved over time and has been affected by numerous budgetary actions. State transfer tax revenue and unexpended balances have been diverted, primarily to the general fund, in recent years under budget reconciliation legislation, with the majority of diverted funding being replaced with bond proceeds. More recently, the legislature established a plan to repay – with general funds, instead of bond proceeds – a portion of transfer tax revenues diverted to the general fund. Chapter 10 of 2016 established the plan (with certain modifications made by 2017 and 2018 legislation), consisting of repayment of \$242.2 million in diverted transfer tax funds by fiscal 2029. This is comprised of \$90 million to repay funding diverted from the transfer tax special fund to the general fund in fiscal 2006 and \$152.2 million for the partial repayment of ongoing transfers to the general fund that were scheduled in statute at the time and occurred between fiscal 2016 and 2018. Approximately \$42.8 million of the \$242.2 million total repayment is expected to go to Program Open Space local funding.

From fiscal 2002 through 2006, appropriations for the local share of Program Open Space funding plus Baltimore City Program special grants averaged \$29.2 million. In fiscal 2007 and 2008, the funding increased significantly to \$135.6 million and \$97.1 million, respectively (see Exhibit 21.3) due to transfer tax revenues generating a record amount of funding. However, from fiscal 2009 through 2016, funding decreased again, averaging \$18.0 million, due to reduced transfer tax estimates, underattainment of transfer tax revenues (required by statute to be reconciled in subsequent fiscal year appropriations), the shift of a portion of local Program Open Space funding (at least \$21.0 million per year) to the operation of State forests and parks, and the transfer of revenues to the State general fund. However, between fiscal 2017 and 2019 the average amount available has increased to \$42.2 million. This reflects the ending of transfers to the general fund and increasing transfer tax revenues.

Exhibit 21.3
Recent Local Program Open Space Funding
Fiscal 2002-2019
(\$ in Millions)



Source: Department of Legislative Services

History of Major Changes:

- 1969 Chapter 403 established Program Open Space.
- 1984 Chapter 665 capped transfer tax revenues dedicated to Program Open Space at \$24 million.
- 1987 Chapter 303 increased the cap to \$29 million in fiscal 1988 and \$32 million in subsequent years. Chapter 450 established new requirements related to the funding of local acquisition and development projects, allowing local governments that meet or exceed acreage acquisition goals to use a greater portion of their funds for development projects.
- 1990 Chapter 63 made various changes to the program, including phasing out the cap on the program by fiscal 1996, expanding the allowable uses of the State's share of funding (to include capital improvements to State-owned land, among other uses), and requiring certain local Program Open Space funds that are unencumbered after five years from the original date of allocation to revert to the State and be reapportioned among the local governments in the next fiscal year. Chapter 63 also provided for over or underattainment of State transfer tax revenues (in relation to the revenue estimates used as the basis for budget appropriations) in a given fiscal year to be reconciled by an increase or reduction in the following year's allocations.
- 1993 Chapter 204 altered the allocation of transfer tax revenues between the program and the general fund and delayed the phase-out of the cap until fiscal 1997.
- 1996 Chapter 600 delayed the dedication of 100% of the transfer tax to Program Open Space and related programs until fiscal 1998. Chapter 600 also required that reconciliation of over or underattainment of transfer tax revenues occur in the second, rather than the first, subsequent fiscal year. Chapter 601 authorized the Governor to transfer \$1 million in Program Open Space funds to the Maryland Heritage Areas Authority Financing Fund. Chapter 659 authorized the Department of Natural Resources to use up to 12.5% (\$800,000), in fiscal 1997 only, of the State's share of Program Open Space funds available for capital improvements, to operate State forests and parks.
- 1997 Chapter 672 authorized the Department of Natural Resources to use up to \$1 million of the State's share of Program Open Space funds available for capital improvements to operate State forests and parks in fiscal 1998 and to use up to \$1.2 million for State forest and park operations in subsequent years. Chapters 757 and 758 established the Rural Legacy Program and altered the distribution of State transfer tax revenue among Program Open Space and related programs, providing for a percentage to be distributed to the Rural Legacy Program.

- 2001 Chapter 658 temporarily increased, from 75% to 100%, the amount a local government can spend on development projects once it has been certified by the Department of Natural Resources and the Maryland Department of Planning as having attained its acreage acquisition goals. Chapter 658 terminated September 30, 2006.
- 2002-2005 As a result of budget reconciliation legislation in each of these years, \$479.2 million in State transfer tax revenue was redirected to the general fund from fiscal 2002 through 2006, limiting revenue available for Program Open Space and other land conservation programs. An additional \$39.8 million in fund balances from transfer tax-funded programs, including Program Open Space, was transferred to the general fund in fiscal 2002 and 2003 through budget reconciliation legislation. General obligation bonds were used to partially replace redirected transfer tax funding in fiscal 2004 and 2005.
- 2005 Chapter 473 required, among other things, that, beginning in fiscal 2012, previous transfers of State transfer tax revenue to the general fund, occurring in fiscal 2006 and subsequent years, be reimbursed under certain circumstances. Chapter 473 also required that in fiscal years in which revenue was transferred or appropriated to the general fund, any overattainment of revenue in the preceding fiscal year be allocated in the subsequent fiscal year among Program Open Space and other programs (the excess revenue would otherwise be allocated in the second subsequent fiscal year). Chapter 473 also specified that an existing required allocation of “a portion” of the State’s share of Program Open Space funding to Baltimore City for park projects be “at least \$1.5 million.” Chapter 209 increased the amount of Program Open Space funds authorized to be transferred to the Heritage Areas Authority Financing Fund from \$1 million to \$3 million. The Budget Reconciliation and Financing Act of 2005 (Chapter 444) authorized the use of up to \$2.5 million of the State’s share of Program Open Space funds to operate State forests and parks in fiscal 2006 only.
- 2007 Chapter 2 of the 2007 special session amended the allocation of Program Open Space funds to require that, of the funds remaining after any distribution to the Maryland Heritage Areas Authority Financing Fund, 20% or \$21 million, whichever is greater, be appropriated for the operation of the State’s forests and parks.
- 2008 Chapter 163 again temporarily increased from 75% to 100% the amount a local government can spend on development projects once it has been certified by the Department of Natural Resources and the Maryland Department of Planning as having attained its acreage acquisition goals. Chapter 163 terminated May 31, 2010.

- 2009 The Budget Reconciliation and Financing Act of 2009 (Chapter 487) authorized the transfer of \$172.3 million in transfer tax funding to the general fund, but none of the transferred funds had been allocated for local Program Open Space projects. An equivalent amount of special and general obligation debt to replace the transferred funding was authorized through Chapter 419 of 2009 and the fiscal 2010 capital budget (Chapter 485 of 2009). Chapter 487 also required that, in fiscal 2011 through 2013, to the extent that additional bond proceeds were used to fund Program Open Space and other land conservation programs, an equivalent amount of State transfer tax funding be redirected from those programs to the general fund. The allocations of transfer tax funding to the general fund provided for under Chapter 487 were not subject to requirements established under Chapter 473 of 2005 that provide for reimbursement of State transfer tax revenue appropriated or transferred to the general fund in certain cases.
- Chapter 206 authorized the use of local Program Open Space funds for both indoor and outdoor recreation and open space purposes, including the construction of indoor nature centers and indoor aquatic, golf, and community facilities. Funding had been used for indoor recreation projects prior to the enactment of Chapter 206, but uncertainty was raised regarding the consistency of those uses with the law.
- 2010 The Budget Reconciliation and Financing Act of 2010 (Chapter 484) authorized the transfer of \$211.6 million in transfer tax funding to the general fund, consisting of both unexpended prior year funding and fiscal 2011 funding for Program Open Space, the Rural Legacy Program, and the Maryland Agricultural Land Preservation Foundation. Unlike the Budget Reconciliation and Financing Act of 2009, a significant amount of the funding transferred under Chapter 484 (over \$100 million) was from the local share of Program Open Space funding. The fiscal 2011 capital budget (Chapter 483) authorized and pre-authorized the replacement of almost all of the transferred funding (including all of the local Program Open Space funding) with general obligation debt over the course of fiscal 2011 through 2013. Like the transfers authorized under Chapter 487 of 2009, the allocations of transfer tax funding to the general fund provided for under Chapter 484 were not subject to requirements established under Chapter 473 of 2005 that provide for reimbursement of State transfer tax revenue appropriated or transferred to the general fund in certain cases.
- Chapter 372 amended Chapter 419 of 2009, which originally authorized up to \$70 million of special obligation debt (supported by transfer tax revenue), to allow for up to \$70 million of either special or general obligation debt to be incurred.

- 2011 The Budget Reconciliation and Financing Act of 2011 (Chapter 397) authorized the transfer of \$5.6 million in transfer tax revenues to the general fund in fiscal 2011 and the transfer of \$94.5 million in transfer tax revenues to the general fund in fiscal 2012 (including \$20.8 million from the local share of Program Open Space funding). Although not required by Chapter 397, the transferred funds were partially replaced over a three-year period (fiscal 2012 through 2014) with general obligation bonds.
- Chapter 470 again increased the maximum percentage (from 75% to 100%) of Program Open Space funds that a local government may spend on development projects once it has attained its acreage acquisition goals. Additionally, Chapter 470 repealed a five-year limit on the period of time during which the Program Open Space funds may be used for such projects. Counties that qualified to use funds for development projects were required to use 25% of the funds only for land acquisition, repair or renovation of existing recreational facilities or structures, or capital renewal. Chapter 470 terminated on May 31, 2014.
- 2012 The Budget Reconciliation and Financing Act of 2012 (Chapter 1 of the first special session of 2012) authorized the transfer of \$96.9 million in transfer tax revenues to the Budget Restoration Fund in fiscal 2013 (including \$13.6 million from the local share of Program Open Space funding). The transferred funds were partially replaced over a three-year period (fiscal 2013 through 2015) with general obligation bonds.
- Chapters 235 and 236 required the State to provide 90% of the total project funding when a local government builds a recreational facility, rather than acquires land, within a Priority Funding Area and limited the amount of impervious surface on the land to no more than 10%. The State must also provide 90% instead of 50% of the total project funding when a local government builds a recreational facility outside of a Priority Funding Area if the Department of Natural Resources makes specific determinations.
- 2013 The Budget Reconciliation and Financing Act of 2013 (Chapter 425) authorized the transfer of \$410.7 million of transfer tax revenue to the general fund over five years, beginning with fiscal 2014 (including \$23.7 million from the local share of Program Open Space funding in fiscal 2014). A multi-year replacement plan included the use of general obligation bond funds to replace all but \$5.6 million (Natural Resources Development Fund funding) of proposed transfers via fiscal 2014 funding and pre-authorizations that spanned six years.

- 2014 The Budget Reconciliation and Financing Act of 2014 (Chapter 464) authorized the transfer of an additional \$69.1 million in transfer tax revenue to the general fund in fiscal 2015. In combination with actions taken in the Budget Reconciliation and Financing Act of 2013, a total of \$144.2 million in transfer tax funding was transferred to the general fund in fiscal 2015 in order to support the operating budget (including \$43.5 million from the local share of Program Open Space funding). The \$69.1 million of additional transferred funding was scheduled to be replaced over a three-year period (fiscal 2016 through 2018) with general obligation bonds.
- 2015 The Budget Reconciliation and Financing Act of 2015 (Chapter 489) authorized the Governor to transfer \$10.5 million from the Program Open Space fund balance to the general fund in fiscal 2015 (including \$8.2 million from the local share of Program Open Space) and increased by \$37.7 million the revenue from the transfer tax that is transferred to the general fund in fiscal 2016. The \$8.2 million in Program Open Space local share fund balance funding was replaced with general obligation bonds. In combination with the Budget Reconciliation and Financing Act of 2015, the fiscal 2016 budget reduced special fund appropriations in the Department of Natural Resources and Maryland Department of Agriculture by \$37.7 million, consisting of \$27.9 million for Program Open Space and the Rural Legacy Program (including \$12.9 million from the local share of Program Open Space funding) and \$9.8 million for the Maryland Agricultural Land Preservation Foundation.
- While the fiscal 2016 capital budget (enacted in 2015) included certain general obligation bond funding for Program Open Space and other transfer tax-funded programs, the remaining plan to provide general obligation bond funding to replace transfer tax funding diverted to the general fund from fiscal 2014 through 2018, was eliminated.
- 2016 Chapter 10 of 2016 established a plan to repay (with general funds) a portion of transfer tax funds diverted to the general fund in fiscal 2006 and 2016 through 2018, and included a number of funding and programmatic provisions. The major provisions were as follows.
- *Reimbursement of \$90.0 Million Diverted to the General Fund in Fiscal 2006:* Mandated repayment amounts and fiscal years for the \$90 million diverted in fiscal 2006 were as follows: \$5.0 million in fiscal 2018 for the Next Generation Farmland Acquisition Program; \$45.0 million over the course of fiscal 2019 through 2021 (\$15.0 million each year) to be allocated among land preservation programs under the transfer tax revenue distribution formula; and \$40.0 million over the course of fiscal 2019 through 2025 for park development and critical maintenance projects on lands managed by the Department of Natural Resources.

- *Reduction of Fiscal 2017 and 2018 Transfers:* Reduced the fiscal 2017 transfer tax special fund transfer by \$20.0 million, from \$82.8 million to \$62.8 million, and the fiscal 2018 transfer by \$40.0 million, from \$86.0 million to \$46.0 million, and directed the retained funding toward specific programs and purposes. The reduced transfers restored \$5.0 million in funding for the local share of Program Open Space funding in fiscal 2017 and \$11.0 million in fiscal 2018.
- *Reimbursement of Fiscal 2016, 2017, and 2018 Transfers:* Required the reimbursement of transfer tax special funds transferred in fiscal 2016, 2017, and 2018 and not already replaced to be reimbursed – \$152.2 million – in future years (one-third by fiscal 2021; two-thirds by fiscal 2025; and the total amount by fiscal 2029).
- *Reimbursement of Any Future Transfers:* Required any future appropriations or transfers to the general fund after fiscal 2018 to be reimbursed over the three successive fiscal years following the transfer.
- *Baltimore City Direct Grants from the State’s Share of Program Open Space Funding:* Replaced the requirement that Baltimore City receive a minimum of \$1.5 million each year in direct grants for park purposes from the State’s share of Program Open Space funding with specified required amounts increasing from \$1.5 million in fiscal 2017 to \$6.0 million in fiscal 2020 and each subsequent fiscal year.
- *Maryland Zoo Funding:* Authorized the Governor in fiscal 2017 to process a budget amendment to create an appropriation from Program Open Space funding for \$500,000 to be allocated as a grant to the Maryland Zoo in Baltimore for zoo operations.

2017

Chapter 406 allowed counties that have more than 65,000 acres of land consisting of State forests, State parks, or wildlife management areas (Allegany and Garrett counties), and have met specified land acquisition goals, to use up to 100% of the counties’ future annual apportionment of Program Open Space local funding for development projects and capital renewal. Chapter 406 also required a review, by October 1, 2018, of the State’s standard for land acquisition of 30 acres per 1,000 people to determine whether adjustments may be made to the standard to encourage additional acquisition of land under Program Open Space.

Chapters 660 and 661 increased the amount of transfer tax funding that may be transferred to the Maryland Heritage Areas Authority Financing Fund, allowing for up to \$6 million to be transferred, provided that any amount transferred that is over \$3 million must be provided from the State's share of funds under Program Open Space.

- 2018 The Budget Reconciliation and Financing Act of 2018 (Chapter 10) amended the transfer tax repayment plan established by Chapter 10 of 2016 and added a new three-year funding mandate. The repayment plan was modified by shifting funding (\$15.0 million) that was required to be distributed through the transfer tax revenue distribution formula in fiscal 2019 to instead be repaid in fiscal 2022 (but at a level of \$12.5 million). The legislation also reduced the amounts required to be repaid and distributed through the transfer tax revenue distribution formula in fiscal 2020 and 2021 from \$15.0 million to \$12.5 million each year and effectively shifted the \$7.5 million (\$2.5 million per year) total reduction in funding from those repayments (in fiscal 2020 through 2022) to a new three-year funding mandate that requires \$2.5 million to be paid in each of fiscal 2020, 2021, and 2022 for the Next Generation Farmland Acquisition Program.

Legal Reference:

Natural Resources Article, Title 5, Subtitle 9
Tax-Property Article, Section 13-209

Maryland Agricultural Land Preservation Program

The Maryland Agricultural Land Preservation Program, established in 1977, seeks to preserve productive agricultural land and woodland, limit the extent of urban development, and protect agricultural land and woodland as open space. The Maryland Agricultural Land Preservation Foundation (part of the Maryland Department of Agriculture), with the assistance and cooperation of landowners and local governments, purchases development rights easements as a means of protecting agricultural land and woodland production activities.

Half of the funds available to the Maryland Agricultural Land Preservation Foundation for the purchase of easements is initially distributed evenly among the 23 counties for "general allotted purchases." The other half is divided among counties with an approved local agricultural land preservation program for "matching allotted purchases," for which the local governments are required to provide matching funding of at least 40% of the value of each easement. "Round 1" offers are made based on competition for funds by applications within individual counties. General allotted funds are applied first to make Round 1 offers, and the matching funds are then applied to make

Round 1 offers until either all the matching funds are depleted or no more offers can be made due to limited demand, limited county matching funds, or a \$2 million statutory limit on the amount of funding that can be provided as the State’s share for matching allotted purchases in any county in any fiscal year. When Round 1 offers are completed, the remaining easement applications compete statewide in “Round 2” for certain unused general allotted and State matching funds, including funds for initial offers to purchase that are not accepted.

Funding for this program has been derived from State transfer tax revenues, general obligation bonds, the agricultural land transfer tax, matching funds from counties, and federal funding. At the end of fiscal 2017, the overall investment of the program since 1977 represented just under \$700 million of public investment. The foundation reported that the program had purchased easements on a cumulative total of 2,242 properties, preserving approximately 305,000 acres of land. State funding budgeted for the program in fiscal 2019 totaled \$40.5 million. Budgeted county funding totaled \$8.5 million.

Rural Legacy Program

The Rural Legacy Program, which began in 1998, provides funding to local governments and conservation organizations for the purchase of property and conservation easements within designated “rural legacy” areas for the purpose of protecting agricultural, natural, and cultural resources from urban sprawl. Local jurisdictions voluntarily participating in the program may purchase interests from willing sellers located in designated rural legacy areas. The program is administered by a Rural Legacy Board composed of the secretaries of Natural Resources, Agriculture, and Planning. The program has been funded with State transfer tax revenues and general obligation bonds. Since its inception, the program has dedicated over \$305.6 million to preserve 86,103 acres of farmland, forests, and natural areas. In fiscal 2019, \$25.0 million was budgeted for the program comprised of \$20.0 million in transfer tax special funds and \$5.0 million in general obligation bonds.

Community Parks and Playgrounds Program

Established in 2001, the Community Parks and Playgrounds Program, administered by the Department of Natural Resources, provides funding for the restoration of existing, and the creation of new, parks and green spaces in municipalities and Baltimore City. Originally the program also made funding available to counties; however, the program’s scope was limited when it was codified in State law in 2008.

The program provides flexible grants to assist in rehabilitating, expanding, improving, or maintaining existing parks; creating new parks; or purchasing and installing

playground equipment. Grants can also be used for environmentally oriented parks and recreation projects. While land acquisition costs are considered, highest priority is given to capital costs associated with park and playground development and improvement. Through fiscal 2018, \$67.4 million has been approved for approximately 700 park and playground projects. In fiscal 2019, \$2.5 million in general obligation bonds is provided for the program to fund 26 projects, subject to approval by the Board of Public Works.

Water Quality

Bay Restoration Fund

The Bay Restoration Fund was created in 2004 (Chapter 428) to provide two accounts: the wastewater account provides grants for enhanced nutrient removal upgrades at the State's major publicly owned wastewater treatment plants; and the septic account provides funding for septic system upgrade grants and the Maryland Department of Agriculture's Cover Crop Program. Up to 100% of eligible costs attributable to upgrading a wastewater facility to enhanced nutrient removal is available. Enhanced nutrient removal technology lowers nitrogen and phosphorus levels in effluent water to 3.0 mg/l and 0.3 mg/l, respectively. Priority is given to upgrades at publicly owned wastewater facilities with a design capacity of 500,000 gallons per day or greater. As of September 2018, 59 of 67 prioritized facilities had 100% completely operational enhanced nutrient removal technology. The remaining facilities were in various stages of the upgrade process.

In recent years, the Bay Restoration Fund's uses have been expanded to include funding of purposes previously covered by the Supplemental Assistance Program and Biological Nutrient Removal Program. For instance, beginning in fiscal 2016, Chapter 153 of 2015 added to the authorized uses of the Bay Restoration Fund by providing funding for up to 87.5% of the cost of projects relating to combined sewer overflow abatement, rehabilitation of existing sewers, and upgrading conveyance systems, including pumping stations. This effectively ended the need for the Supplemental Assistance Program. Similarly, Chapters 368 and 369 of 2017 expanded the allowable uses of the Bay Restoration Fund to include biological nutrient removal projects thus effectively ending the need for the Biological Nutrient Removal Program.

Enhanced nutrient removal grants are the fund's primary expenditure, but funds are also dedicated to a separate account for septic system upgrade grants and the Maryland Department of Agriculture's Cover Crop Program. The septic system upgrade program is administered by the counties or other parties. The program gives priority to failing septic systems and sewage holding tanks located in the Chesapeake and Atlantic Coastal Bays Critical Area and then to failing systems that the Maryland Department of the Environment

determines are a threat to public health or water quality. Through fiscal 2009, funds were also provided for sewer infrastructure grants, and, from fiscal 2010 forward, funding is authorized to be used for a portion of the operation and maintenance costs related to the enhanced nutrient removal technology.

The fund is financed by a bay restoration fee of generally \$60 per year for most residents. As of May 31, 2018, \$1.3 billion had been collected in fees from wastewater treatment plant and septic system users. In fiscal 2019, \$70.0 million is budgeted for the wastewater treatment plant program and \$15.0 million is budgeted for the septic system upgrade program.

Chesapeake and Atlantic Coastal Bays 2010 Trust Fund

The Chesapeake Bay 2010 Trust Fund was created by Chapter 6 of the 2007 special session. In 2008, the scope of the fund was expanded to include the Atlantic Coastal Bays, and the fund was renamed the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. The fund is used for nonpoint source pollution control projects that help meet Chesapeake Bay restoration goals (currently under the 2014 Chesapeake Bay Watershed Agreement) and improve the health of the Atlantic Coastal Bays and their tributaries. Funding is distributed based on recommendations made by a scientific advisory panel under the Governor's Council on the Chesapeake Bay. The Governor's Council on the Chesapeake Bay includes the secretaries of Natural Resources, Environment, Planning, and Agriculture, among others. Funds may be distributed, among other means, through grants to local governments. The General Assembly expressed the intent that, when possible, money in the fund be granted to local governments and other political subdivisions for agricultural, forestry, stream and wetland restoration, and urban and suburban stormwater nonpoint source pollution control projects.

The fund is financed with a portion of revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals, which has totaled just over \$50 million annually in recent years. In fiscal 2019, at least \$23.1 million was directed toward local projects through funding allocated for targeted cost-effective nonpoint source projects. Chapter 124 of 2015 indicated the General Assembly's intent that up to 25% of the fund be used for matching funds granted to local governments and other political subdivisions that have enacted a stormwater remediation fee.

Water Quality Revolving Loan Fund

The Water Quality Revolving Loan Fund, supported by both State and federal funding, was created in 1989 and provides low-interest loans to local governments and private persons or entities to finance water quality improvement projects. Projects eligible for funding include improvements to wastewater treatment plants and other point source

pollution infrastructure, as well as nonpoint source projects such as urban stormwater control projects. Projects are prioritized using an integrated system focused on water quality and public health benefits, compliance, cost efficiency, and sustainability. The fund is administered by the Water Quality Financing Administration within the Maryland Department of the Environment.

The fund is governed by both federal and State law and regulatory requirements. The State is required to match 20% of federal funds received. Loans must be made at or below market interest rates at terms not to exceed the lesser of 30 years or the projected useful life of the project. A local government must establish a dedicated source of revenue to repay the loan. In fiscal 2019, \$306.6 million was budgeted for this program, including \$110.4 million in special funds (largely, loan repayments and interest), \$33.0 million in federal funds, \$13.2 million in general obligation bonds, and \$150.0 million in revenue bonds.

Shore Erosion Control Program

The Shore Erosion Control Program was established in 1968 and is administered by the Department of Natural Resources. The department is authorized to provide interest-free loans and grants to individual property owners, municipalities, and counties to complete eligible shore erosion control projects. The program has helped establish both structural shore erosion control projects (bulkheads, concrete walls, etc.) and nonstructural shore erosion control projects (protective vegetative buffers) in the past, but the emphasis of the program has since been shifted to nonstructural projects. The fiscal 2019 State operating budget appropriated \$712,611 in special funds for this program.

Water Supply

Maryland Drinking Water Revolving Loan Fund

The Maryland Drinking Water Revolving Loan Fund was established by the General Assembly in 1993 and provides financial assistance to local governments for drinking water system improvements. Eligible projects include drinking water treatment plant upgrades, water distribution mains, aging water infrastructure replacement, water storage facilities, and consolidation of existing water systems. The criteria for determining priority of projects are based on the effect a project has or will have on public health. The fund is administered by the Water Quality Financing Administration within the Maryland Department of the Environment.

The fund is supported by both State and federal funding and is subject to similar federal and State law and regulatory requirements as those applicable to the Water Quality Revolving Loan Fund discussed above. Additionally, relaxed loan terms and loan

subsidies are authorized for loans to disadvantaged communities. In fiscal 2019, \$32.8 million was provided for the program, consisting of \$16.9 million in special funds (largely loan repayments and interest), \$10.3 million in federal funds, and \$5.7 million in general obligation bonds.

Water Supply Financial Assistance Program

The Water Supply Financial Assistance Program, which began in 1982 and is administered by the Maryland Department of the Environment, provides grants and loans to assist small communities with the acquisition, construction, equipping, rehabilitation, design, and improvement of publicly owned water supply facilities. Project proposals are ranked and evaluated based on the requirements of § 9-423 of the Environment Article and the Code of Maryland Regulations 26.03.09.06. Maximum grant assistance may not exceed 87.5% of the total eligible project cost, and a 12.5% local match is required. Loans must be repaid to the State Treasury within 30 years and bear at least the same rate of interest as the most recent State general obligation bond sale preceding the date of approval by the Board of Public Works. In recent years, all assistance has been in the form of grants rather than loans. This program is often used in conjunction with other sources of federal and State financial assistance (such as the Drinking Water Revolving Loan Fund) to achieve project affordability. In fiscal 2019, \$3.3 million in general obligation bonds was authorized for this program.

Other Programs

Waterway Improvement Fund

Maryland's Waterway Improvement Fund finances projects to expand and improve public boating access throughout the State. The fund, which was established in 1965, is administered by the Department of Natural Resources. It receives revenue from the 5% excise tax on the sale of vessels within the State. Pursuant to Chapter 180 of 2013, the fund also receives a small portion of motor fuel tax revenue. The fund provides financial support for projects such as dredging channels and harbors, marking channels and harbors, clearing debris and other obstructions, constructing and maintaining marine facilities, shore erosion control, and other projects. Some of the monies are used for grants and/or long-term, interest-free loans to local governments. In fiscal 2019, \$15.0 million in new funding was provided for the program, consisting of \$12.5 million in special funds and \$2.5 million in federal funds. Of that funding, \$8.2 million was designated for local capital projects in the fiscal 2019 capital budget.

Coastal Resiliency Program

The Coastal Resiliency Program was added to the Department of Natural Resources' capital program in fiscal 2018. Funding is provided to restore actively eroding shoreline using living shoreline techniques and offshore breakwaters along the State's coast. Project selection is guided by the Maryland Coastal Resiliency assessment published in March 2016. The assessment is a collaborative effort between the Department of Natural Resource's Chesapeake and Coastal Service and The Nature Conservancy and was designed to inform coastal conservation and restoration decisions by determining where living shoreline techniques and offshore breakwaters can help Maryland's coastal communities become more resilient. Funding is based on the following factors: (1) the vulnerability of the habitat and community; (2) the project readiness and status (designed/permitted); (3) the location and priority tier within the Maryland Coastal Resiliency Assessment; (4) the level of community engagement; and (5) broader ecosystem services. For fiscal 2019, the Coastal Resiliency Program was budgeted \$4.7 million in general obligation bonds, including \$3.2 million designated for local capital projects.

Energy-Water Infrastructure Program

The Energy-Water Infrastructure Program was a new addition to the Maryland Department of the Environment's capital program for fiscal 2017. The program is funded with money from the agreement by which, under Public Service Commission Order 86372, Dominion Cove Point is allowed to construct a 130-megawatt nameplate capacity electric generating station at the existing liquefied natural gas terminal site in Calvert County near Cove Point. A total of \$40.0 million was made available as a result of Public Service Commission Order 86372, of which the Energy-Water Infrastructure Program's authorizations for fiscal 2017 through 2019 represent \$32.2 million of the \$40.0 million. As part of the agreement, funding is being used – per the right to fund cost-effective energy efficiency and conservation programs, projects, or activities – to provide grants to water and wastewater treatment plant owners to develop energy-efficient and resilient projects in order to reduce operating costs and ultimately pass savings on to consumers by lowering the rate of future user fee increases.

Project selection is based on ready-to-construct project applications received. Funding is provided as 100% grants not to exceed \$1.0 million per project for energy-efficient equipment (such as replacement of aging pumps with new energy-efficient ones) and \$3.0 million per project for combined heat and power projects (such as using methane from digesters to generate heat/power or by developing wind power to generate power). The goal is to achieve energy efficiency/reduction levels of 20% relative to the old equipment being replaced as tracked through an energy audit. For fiscal 2019, the Energy-Water Infrastructure Program was budgeted \$8.0 million in special funds.

Energy Efficiency/Renewable Energy Programs

The Maryland Energy Administration administers various programs that provide financial assistance for energy efficiency and renewable energy efforts undertaken by State and local governments, businesses, nonprofit organizations, and individuals. The programs are largely supported by funding generated from auctions of carbon dioxide emission allowances under the Regional Greenhouse Gas Initiative (deposited in the Maryland Strategic Energy Investment Fund).

The primary programs that benefit local governments include the Jane E. Lawton Conservation Loan Program, the Maryland Smart Energy Communities Program, and the Clean Energy Communities Grant Program. The Jane E. Lawton Conservation Loan Program provides financial assistance to nonprofit organizations, local jurisdictions, and eligible businesses for energy efficiency projects. Through fiscal 2017, the administration awarded over \$22.6 million in grants to 40 nonprofit organizations, 28 local governments, and 13 businesses. The loans generated estimated savings totaling \$54.5 million. In fiscal 2019, \$850,000 was allocated for the program.

In fiscal 2013, the Maryland Energy Administration launched the Maryland Smart Energy Communities Program. This program is designed to encourage county and municipal governments to adopt policies that promote clean and renewable energy and support the State's EmPower Maryland goals and Renewable Energy Portfolio Standard. Local governments are eligible for grant funding to complete energy efficiency programs, renewable or clean energy programs, or sustainable transportation programs if those types of policies are adopted. Through fiscal 2017, 68 Maryland communities have participated in the program. In fiscal 2019, \$0.5 million was allocated for this program but was available only for energy efficiency projects.

The Clean Energy Communities Grant Program provides funding for nonprofits and local governments for energy efficiency activities that benefit low- and moderate-income customers. Since fiscal 2013, the Clean Energy Communities Grant Program has been the only Maryland Energy Administration program focusing on low- and moderate-income customers. Spending on the Clean Energy Communities Grant Program has generally fluctuated with the availability of the Strategic Energy Investment Fund, the only fund source for the program. In fiscal 2017, the program awarded 56 grants and had expenditures and encumbrances totaling \$10.1 million. In fiscal 2019, the program was budgeted \$5.0 million.

Hazardous Substance Cleanup Program

The Hazardous Substance Cleanup Program provides funds for cleaning up uncontrolled waste sites listed on the federal National Priorities List (Superfund) and other

uncontrolled waste sites within the State that do not qualify for federal funding through the Superfund program. The State provides up to 100% of the costs of cleanup for the projects not included on the National Priorities List. At orphan sites, sites lacking a financially viable responsible party to pay for the cleanup, the State provides 100% of the cost of the preliminary site assessment. In all cases, the program seeks cost recovery when possible from responsible parties. The program also provides the State's share (10%) of remediation costs for federal Superfund orphan sites with the remainder provided through the federal share (90%). In fiscal 2019, \$500,000 is budgeted for the program.

Mining Remediation Program

The Mining Remediation Program was a new addition to the Maryland Department of the Environment's capital program for fiscal 2015. Where there is no financially viable responsible party, the program provides funding for remediation of abandoned lands and waters impacted by inadequate coal mining reclamation practices prior to the passage of the federal Surface Mine Control and Reclamation Act of 1977. The program works through the Maryland Abandoned Mine Land Division. Projects include reclamation of surface mine high walls and pits, stabilization of landslides, restoration of stream banks to address flooding, extinguishing underground coal mine and coal refuse fires, stabilization of coal refuse piles, water supply replacement, stabilizing buildings and roads that are impacted by underground mine subsidence, and acid mine drainage treatment projects. In fiscal 2019, \$500,000 is budgeted for the program.

Chapter 22. Miscellaneous State Aid

Ten other State aid programs provide local governments with assistance in a variety of areas. The largest program is the disparity grant, which provides over \$140 million in funding to less affluent local governments. As shown in Exhibit 22.1, these 10 State aid programs provided \$280.5 million to local governments in fiscal 2019, a 35.6% increase since fiscal 2015. Exhibit 22.2 shows the aid allocation for each county. Capital programs administered by the Department of Housing and Community Development and the Department of Aging, which benefit local governments, are also described in this chapter.

Exhibit 22.1
Miscellaneous State Aid Programs – Funding Trend
(\$ in Millions)

<u>Aid Program</u>	<u>FY 2015</u>	<u>FY 2019</u>	<u>Difference</u>	<u>Percent Difference</u>
Disparity Grants	\$127.7	\$140.8	\$13.1	10.2%
Gaming Impact Aid	36.4	87.2	50.8	139.6%
Teacher Retirement Supplemental Grants	27.7	27.7	0.0	0.0%
Adult Education	8.2	8.0	-0.2	-2.8%
Local Voting System Grants	3.2	5.5	2.3	71.1%
Instant Bingo Grants	1.7	2.6	0.9	56.0%
PILOT – Port Facilities	1.0	2.2	1.2	112.8%
PILOT – Forest and Park Land	0.4	2.4	2.1	562.8%
Revenue Equity Program	0.0	3.3	3.3	n/a
Senior Citizens Activities Centers	0.5	0.8	0.3	56.0%
Total	\$206.8	\$280.5	\$73.7	35.6%

PILOT: payment in lieu of tax

Source: Department of Legislative Services

Exhibit 22.2
Miscellaneous State Aid Programs by County
Fiscal 2019

County	Disparity Grants	Gaming Impact	Teacher Retirement Supplemental	Adult Education	PILOT (Port)	Other Grants¹	Total Aid	Per Capita Aid	Per Capita Ranking
Allegany	\$7,298,505	\$2,356,988	\$1,632,106	\$151,428	\$0	\$1,345,084	\$12,784,111	\$179	3
Anne Arundel	0	28,313,858	0	312,795	75,000	0	28,701,653	50	11
Baltimore City	76,012,567	25,086,893	10,047,596	1,661,869	2,120,492	0	114,929,417	188	2
Baltimore	0	0	3,000,000	536,659	0	0	3,536,659	4	15
Calvert	0	0	0	424,644	0	2,581,588	3,006,232	33	12
Caroline	2,131,782	0	685,108	0	0	0	2,816,890	85	6
Carroll	0	0	0	152,944	0	0	152,944	1	20
Cecil	1,058,483	4,301,206	0	271,560	0	0	5,631,249	55	10
Charles	0	0	0	461,449	0	0	461,449	3	16
Dorchester	2,022,690	0	308,913	0	0	0	2,331,603	72	9
Frederick	0	0	0	489,611	0	0	489,611	2	17
Garrett	2,131,271	0	406,400	78,791	0	1,491,021	4,107,483	141	4
Harford	0	0	0	128,500	0	0	128,500	1	21
Howard	0	89,286	0	296,319	0	0	385,605	1	18
Kent	0	0	0	0	0	0	0	0	22
Montgomery	0	0	0	972,486	0	0	972,486	1	19
Prince George's	34,099,612	23,045,392	9,628,702	735,246	0	0	67,508,952	74	8
Queen Anne's	0	0	0	0	0	0	0	0	22
St. Mary's	0	0	0	0	0	0	0	0	22
Somerset	5,176,433	0	381,999	181,693	0	467,265	6,207,390	240	1
Talbot	0	0	0	524,151	0	0	524,151	14	13
Washington	1,902,685	0	0	160,380	0	0	2,063,065	14	14
Wicomico	8,970,144	0	1,567,837	319,548	0	0	10,857,529	105	5
Worcester	0	4,050,179	0	151,913	0	0	4,202,092	81	7
Unallocated	0	0	0	0	0	8,673,363	8,673,363	less than 1	
Total	\$140,804,172	\$87,243,802	\$27,658,661	\$8,011,986	\$2,195,492	\$14,558,321	\$280,472,434	\$46	

¹Includes instant bingo grants (\$2,581,588), local voting system grants (\$5,471,244), PILOT – Forest and Park Land (\$2,437,881), Revenue Equity Program (\$3,303,370), and senior activities center grants (\$764,238).

PILOT: payment in lieu of tax

Source: Department of Legislative Services

Disparity Grants

The disparity grant program provides noncategorical State aid to low-wealth jurisdictions for county government purposes. The program reflects the State's policy to improve fiscal equity among jurisdictions by making less affluent jurisdictions less dependent on their own tax base to fund public services. Specifically, disparity grants address the differences in the abilities of counties to raise revenues from the local income tax, which for most counties is one of the larger revenue sources. Through fiscal 2010, counties with income tax rates of 2.4% or higher with per capita local income tax revenues less than 75.0% of the State's average (assuming a 2.54% statewide county income tax rate) received a grant equal to the dollar amount necessary to raise the county's per capita income tax revenues to 75.0% of the State average. Chapter 487 of 2009 included a provision, beginning in fiscal 2011, that capped each county's funding under the program at the fiscal 2010 level.

Chapter 425 of 2013 modified the formula to add a minimum grant amount based on local tax effort of eligible counties and raised from 2.4% to 2.6% the local income tax rate required to be eligible to receive a grant. Beginning in fiscal 2014, the fiscal 2010 cap amount continues to apply, but an eligible county or Baltimore City may receive a minimum amount (that can exceed the fiscal 2010 cap) based on local tax effort. The minimum amounts are (1) 20.0% of the uncapped grant amount if the local income tax rate is at least 2.8% but less than 3.0%; (2) 40.0% of the uncapped grant amount if the rate is at least 3.0% but less than 3.2%; or (3) 60.0% of the uncapped grant amount if the rate is at least 3.2%.

Chapter 738 of 2016 altered the calculation of the disparity grant program for counties with a local income tax rate of 3.2% by increasing the minimum grant amount (funding floor) to 67.5% of the uncapped grant in fiscal 2018 and 2019. However, Chapter 23 of 2017 modified the formula by lowering the minimum grant amount (funding floor) from 67.5% to 63.75% of the uncapped grant for fiscal 2018.

Based on the statutory formula, Baltimore City and nine counties (Allegany, Caroline, Cecil, Dorchester, Garrett, Prince George's, Somerset, Washington, and Wicomico) qualified for disparity grants in fiscal 2019. The fiscal 2019 budget included \$140.8 million for disparity grants, an increase of \$13.1 million from fiscal 2015.

Chapter 472 of 2018 extended by two years the 67.5% minimum grant amount for counties with a local income tax rate of 3.2%. As a result, State funding for the program increases by \$6.3 million in fiscal 2020 and by \$6.8 million in fiscal 2021. Exhibit 22.3 shows the calculation for the disparity grant program for fiscal 2019.

Exhibit 22.3 Disparity Grant Calculation for Fiscal 2019

County	Population July 2016	Adjusted Income Tax Revenues	Per Capita Tax Yield	Per Capita Grant	Total Formula Amount ¹	Fiscal 2010 Grant (Cap Amount)	Income Tax Effort (Floor Amount) ²	Grant Amount Under Cap/Floor ³	Net Effect of Cap/Floor Provisions	Percent Capped
Allegany	72,130	\$22,646,906	\$313.97	\$190.19	\$13,718,494	\$7,298,505	\$5,487,398	\$7,298,505	-\$6,419,989	46.8%
Anne Arundel	568,346	453,536,923	797.99	0.00	0	0	0	0	0	
Baltimore City	614,664	233,879,324	380.50	123.67	76,012,567	79,051,790	51,308,482	76,012,567	0	0.0%
Baltimore	831,026	555,971,612	669.02	0.00	0	0	0	0	0	
Calvert	91,251	64,499,045	706.83	0.00	0	0	0	0	0	
Caroline	32,850	12,150,612	369.88	134.28	4,411,198	2,131,782	0	2,131,782	-2,279,416	51.7%
Carroll	167,656	122,188,244	728.80	0.00	0	0	0	0	0	
Cecil	102,603	49,082,603	478.37	25.79	2,646,208	0	1,058,483	1,058,483	-1,587,725	60.0%
Charles	157,705	92,596,032	587.15	0.00	0	0	0	0	0	
Dorchester	32,258	11,517,757	357.05	147.11	4,745,588	2,022,690	0	2,022,690	-2,722,898	57.4%
Frederick	247,591	175,650,780	709.44	0.00	0	0	0	0	0	
Garrett	29,425	11,063,397	375.99	128.18	3,771,649	2,131,271	0	2,131,271	-1,640,378	43.5%
Harford	251,032	167,176,928	665.96	0.00	0	0	0	0	0	
Howard	317,233	312,137,081	983.94	0.00	0	0	0	0	0	
Kent	19,730	10,441,378	529.21	0.00	0	0	0	0	0	
Montgomery	1,043,863	1,069,089,192	1,024.17	0.00	0	0	0	0	0	
Prince George's	908,049	407,288,307	448.53	55.63	50,517,944	21,694,767	34,099,612	34,099,612	-16,418,332	32.5%
Queen Anne's	48,929	36,624,174	748.52	0.00	0	0	0	0	0	
St. Mary's	112,587	69,172,443	614.39	0.00	0	0	0	0	0	
Somerset	25,928	5,403,192	208.39	295.77	7,668,790	4,908,167	5,176,433	5,176,433	-2,492,357	32.5%
Talbot	37,278	27,777,715	745.15	0.00	0	0	0	0	0	
Washington	150,292	66,258,496	440.87	63.30	9,513,425	0	1,902,685	1,902,685	-7,610,740	80.0%
Wicomico	102,577	38,426,600	374.61	129.55	13,289,102	2,197,041	8,970,144	8,970,144	-4,318,958	32.5%
Worcester	51,444	29,794,849	579.17	0.00	0	0	0	0	0	
Total	6,016,447	\$4,044,373,590	\$672.22		\$186,294,965	\$121,436,013	\$108,003,238	\$140,804,172	-\$45,490,793	24.4%
		<i>75% Target:</i>	<i>\$504.16</i>							

¹Population multiplied by the per capita grant amount. ²Eligible counties with at least a 2.8% local income tax rate receive at least 20% of the total formula amount. The minimum grant increases to 40% of the total formula amount for eligible counties with at least a 3.0% local income tax rate and 67.5% for eligible counties with a 3.2% local income tax rate. ³Eligible counties receive the greater of either the fiscal 2010 grant amount (cap amount) or the minimum grant amount based on local income tax effort (floor amount).

Source: Department of Legislative Services

History of Major Changes

- 1991 Chapter 525 repealed the sales and use tax exemption for cigarettes and dedicated the revenue to the six jurisdictions whose local income tax revenues were below 67% of the statewide average. Baltimore and five counties (Allegany, Caroline, Dorchester, Garrett, and Somerset) qualified for the grants, which totaled \$8.5 million in fiscal 1992.
- 1992 Chapter 2 of the first special session codified the disparity grant formula in statute for fiscal 1993 and subsequent years. The program established a mandated annual grant to counties where per capita local income tax revenues were less than 70% of the statewide average.
- 1996 Chapter 173 based the disparity grant formula on 75% of the statewide average per capita local income tax yield beginning in fiscal 1998.
- 2009 Chapter 487 capped the funding amount that any jurisdiction may receive under the grant program to the amount received in fiscal 2010. While this approach maintained the functionality of the formula, it served to constrain growth for counties that otherwise would have seen an increase in grant amounts and also prohibited grants to any new jurisdiction that would qualify for funding in fiscal 2011 or beyond.
- 2010 Chapter 484 changed the calculation of the formula by using net taxable income from returns filed through November 1 rather than August 15.
- 2011 Chapter 397 enhanced the disparity grant calculation for fiscal 2012 by increasing from 75% to 77% the percentage of statewide per capita income tax yield used in the disparity grant calculation.
- 2013 Chapter 425 modified the formula to add a minimum grant amount based on local tax effort of eligible counties and raised from 2.4% to 2.6% the local income tax rate required to be eligible to receive a grant.
- 2016 Chapter 738 of 2016 altered the calculation of the disparity grant program for counties with a local income tax rate of 3.2% by increasing the minimum grant amount (funding floor) from 60.0% to 67.5% of the uncapped grant in fiscal 2018 and 2019.
- 2017 Chapter 23 of 2017 modified the formula by lowering the minimum grant amount (funding floor) for counties with a local income tax rate of 3.2% from 67.5% to 63.75% of the uncapped grant for fiscal 2018 only.
- 2018 Chapter 472 of 2018 extended by two years the 67.5% minimum grant amount for counties with a local income tax rate of 3.2%, making it applicable from fiscal 2019 through 2021.

Legal Reference

Local Government Article, Section 16-501

Gaming Impact Grants

Two video lottery terminal gambling bills (Chapters 4 and 5) passed during the 2007 special session. Chapter 5 was a constitutional amendment approved by Maryland voters at the November 2008 general election that authorized 15,000 video lottery terminals at five locations in the State. Chapter 4, which was contingent on ratification of Chapter 5, established the operational and regulatory framework for the authorized video lottery terminal program. Chapter 1 of the second special session of 2012 made numerous changes to the State's gaming program, including authorization of a sixth video lottery facility license in Prince George's County and table games at video lottery facilities. Required voter approval was obtained in November 2012.

From the proceeds generated by video lottery terminals at video lottery facilities in the State, generally 5.5% (for the first 10 years of the facility in Allegany County, the percentage is 3.75%) is distributed to local governments in which a video lottery facility is operating. Those proceeds are primarily distributed as follows: (1) for video lottery facilities in Allegany, Cecil, and Worcester counties, 100% is distributed to the local jurisdiction in which the video lottery facilities are located; and (2) for other video lottery facilities, 82% is distributed based on each facility's share of the proceeds and, through fiscal 2032, 18% is distributed to Baltimore City through the Pimlico Community Development Authority, to Prince George's County for the community surrounding Rosecroft Raceway (\$1.0 million annually), and to communities surrounding the Laurel Race Course (\$500,000 annually). In addition, 5% of table game revenues are distributed to local jurisdictions where a video lottery facility is located. Gaming impact grants totaled \$87.2 million in fiscal 2019, an increase of \$50.8 million over the fiscal 2015 funding amount.

Exhibit 22.4 shows gaming impact grant funding for fiscal 2017 through 2019.

Exhibit 22.4
Gaming Impact Grants
Fiscal 2017-2019

<u>County</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Allegany	\$1,650,834	\$2,325,172	\$2,356,988
Anne Arundel	24,163,309	28,289,433	28,313,858
Baltimore City	19,438,082	24,780,479	25,086,893
Cecil	3,992,903	4,263,603	4,301,206
Howard	89,286	89,286	89,286
Prince George's	12,227,555	22,407,014	23,045,392
Worcester	3,476,271	3,724,171	4,050,179
Total	\$65,038,240	\$85,879,158	\$87,243,802

Source: Department of Legislative Services

Legal Reference

State Government Article, Section 9-1A-27 and 31

Instant Bingo Grants

Chapter 603 of 2012 made permanent the authority for existing qualified organizations and licensed commercial bingo licensees to operate electronic instant bingo machines that would otherwise be illegal under State law after July 1, 2012. Chapter 603 created the Calvert County Youth Recreational Opportunities Fund, administered by the Secretary of Natural Resources for the purpose of increasing youth recreational opportunities in Calvert County. Beginning in fiscal 2013, the Youth Recreational Opportunities Fund and the Boys and Girls Club of the Town of North Beach receive a portion of revenues from the State admissions and amusement tax imposed on the instant bingo machines in Calvert County.

Beginning in fiscal 2014, the Town of North Beach and the Town of Chesapeake Beach in Calvert County also receive a portion of these State admissions and amusement revenues. The Calvert County Board of Education was scheduled to receive a portion of State admissions and amusement tax revenues raised in Calvert County, in place of the Youth Recreational Opportunities Fund, beginning in fiscal 2017; however, Chapter 334 of 2015 delayed this change until fiscal 2020. Chapters 118 and 420 of 2018 made permanent the distribution of revenue from the State admissions and amusement tax in

Calvert County to the Calvert County Youth Recreational Opportunities Fund, instead of requiring those revenues to be distributed to the Calvert County Board of Education beginning in fiscal 2020. Instant bingo aid, all of which is distributed within Calvert County, totaled \$2.6 million in fiscal 2019.

Legal Reference

Tax – General Article, Section 2-202

Horse Racing Impact Aid

The State began sharing revenues derived from the tax on horse racing with local governments in 1947. In 1975, impact aid was established to provide additional horse racing tax revenues to those subdivisions where mile thoroughbred tracks were located. Concurrent with a significant reduction in the State tax on horse racing in 1985 (from 4.09% to 0.5%), the State eliminated the local per capita distribution of horse racing taxes while retaining the impact aid distributions. In 1997, the State lowered the tax rate on horse racing to 0.32% with a provision to revert the rate back to 0.5% on July 1, 1999; however, Chapter 291 of 1999 extended the horse racing tax of 0.32% to July 1, 2000. The Racing Act of 2000 (Chapter 309 of 2000) further extended indefinitely the horse racing tax of 0.32%.

The amounts of impact aid granted to each jurisdiction are mandated by statute and are largely based on the number of racing days held each year. In recent years, revenues have been insufficient to fulfill the expected allocation to each jurisdiction and to the other mandated uses. Chapter 425 of 2013 required the Comptroller, in any fiscal year that revenues to the horse racing special fund are not sufficient to fully fund local impact aid, to proportionately reduce the local impact aid amounts required to be paid. Similar to other recent fiscal years, no local impact aid was included in the budget for fiscal 2019 due to insufficient revenues.

Legal Reference

Business Regulation Article, Sections 11-404 and 11-404.1

Local Voting System Grants

Chapter 564 of 2001 required the State Board of Elections, in consultation with local election boards, to select and certify a uniform statewide voting system with the costs to be split equally between the State and local jurisdictions. The legislation was the result of the Governor's Special Committee on Voting Systems and Election Procedures, which submitted its recommendations in February 2001. The recommendations addressed

concerns arising from the 2000 presidential election regarding uniformity in voting systems among local jurisdictions. The legislation required the State to provide funding through the annual budget bill for the exclusive purpose of reducing the fiscal impact of purchasing new voting equipment. Since fiscal 2003, the State has provided local governments with \$65.3 million in voting system grants, including \$5.5 million in fiscal 2019.

Legal Reference

Section 4, Chapter 564, Acts of 2001

Payments in Lieu of Taxes (Maryland Port Administration Facilities)

Legislation enacted in 1996 required the State to provide Baltimore City with a grant in lieu of property taxes on certain port property beginning in fiscal 1998. This new grant coincided with a change in the distribution of highway user revenues that took effect that year (fiscal 1998). The grant amount was specified in statute for the first two years: \$410,000 in fiscal 1998 and \$418,200 in fiscal 1999. Beginning in fiscal 2000, the grant amount equals the Baltimore City property tax rate multiplied by the assessment of the land associated with the port properties. Additional payments in lieu of taxes for other Maryland Port Administration facilities in Baltimore City, as well as Anne Arundel County, are also included in the amounts shown in Exhibit 22.5. The overall payments for facilities in Baltimore City increased in fiscal 2019 to account for additional property (Point Breeze).

Exhibit 22.5
Payments in Lieu of Taxes
Fiscal 2017-2019

<u>County</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Anne Arundel	\$75,000	\$75,000	\$75,000
Baltimore City	937,491	995,492	2,120,492
Total	\$1,012,491	\$1,070,492	\$2,195,492

Source: Department of Legislative Services

Legal Reference

Transportation Article, Sections 6-308, 6-309, and 6-411

Senior Citizen Activities Center Operating Fund

Legislation enacted in 2000 established the Senior Citizen Activities Center Operating Fund. The Senior Citizen Activities Center Operating Fund is a nonlapsing fund that consists of appropriations from the State budget. The fund supplements any other funding for senior citizen activities centers in the State budget; it may not be used to replace existing funding. Chapter 17 of 2016 (1) increased, from \$500,000 to \$750,000, the required annual appropriation to the Senior Citizen Activities Center Operating Fund beginning in fiscal 2018; (2) required additional expenditures under specified circumstances; and (3) altered how the funds are distributed to counties within the State by allocating a portion to competitive grants, a portion to be distributed based on counties' proportional share of the statewide population of senior citizens, and a portion to be distributed to distressed counties. The fiscal 2019 budget included \$764,200 for the program.

Legal Reference

Human Services Article, Sections 10-513 through 10-516

Teacher Retirement Supplemental Grants

Chapter 1 of the first special session of 2012 established this grant program, beginning in fiscal 2013. Grants totaling \$27.7 million are distributed annually to nine counties (including Baltimore City) to help offset the impact of sharing teachers' retirement costs with the counties.

Legal Reference

Local Government Article, Section 16-503

Payments in Lieu of Taxes (Forest and Park Land)

Each county in which any State forest or park is located (with the exception of counties that receive funding under the Revenue Equity Program described below) annually receives 15% of the net revenues derived from the forest or park located in that county, including concession operations. If the forest or park reserve comprises 10% or more of its total land area, the county annually receives 25% of the net revenues derived from the reserve. The original intent of the county payments was to offset the loss in property taxes to counties in which the State owned a significant amount of acreage. In fiscal 2019, Forest Service payments to local governments totaled \$146,200, and Maryland Park Service payments to local governments totaled \$2.3 million.

Legal Reference

Natural Resources Article, Sections 5-212 and 5-212.1

Revenue Equity Program

Chapter 692 of 2017 established a State Forest, State Park, and Wildlife Management Area Revenue Equity Program to make annual payments, beginning in fiscal 2019, to counties that have a certain amount of State forests, State parks, and wildlife management areas that are exempt from property tax. The annual payment to each county is equal to the county's property tax rate multiplied by the assessed value, as determined by the State Department of Assessments and Taxation, of the State forests, State parks, and wildlife management areas in the county that are exempt from property tax. The payments replace payment in lieu of taxes payments in the affected counties. The fiscal 2019 budget included total payments of \$3.3 million to Allegany (\$1.3 million), Garrett (\$1.5 million), and Somerset (\$0.5 million) counties.

Legal Reference

Natural Resources Article, Sections 5-212 and 5-212.1; Tax – Property Article, Sections 6.5-101 – 6.5-301

Adult Education Program

The State provides funding for adult education services, including classes on basic skills in reading, writing, and math or learning to speak and understand the English language. Grants also assist adults to prepare to earn a high school diploma through the GED tests or the National External Diploma Program. The fiscal 2019 budget included \$8.0 million for adult education programs.

Legal Reference

Labor and Employment Article, Sections 11-801 and 11-808

Capital Programs

Strategic Demolition and Smart Growth Impact Fund

The Strategic Demolition and Smart Growth Impact Fund has been used to assist in demolition, land assembly, housing development or redevelopment, and revitalization projects in sustainable communities, Base Realignment and Closure Revitalization and Incentive Zones, Transit-oriented Development areas, or in areas recommended by

PlanMaryland for revitalization and growth. Since fiscal 2016, it has been the centerpiece of Project C.O.R.E. (Creating Opportunities for Renewal and Enterprise), a Department of Housing and Community Development-led effort to remove blight and encourage redevelopment, reinvestment, and stabilization in Baltimore City. Chapter 30 of 2016 codified the fund and mandated an appropriation of \$25.6 million in fiscal 2018 and \$28.5 million in fiscal 2019. The fiscal 2019 capital budget included \$28.5 million in general obligation bonds for the program.

Partnership Rental Housing Program

The Partnership Rental Housing Program provides deferred payment loans or grants to local governments or housing authorities to construct or rehabilitate rental housing for residents earning less than 50% of the statewide median income. Repayment is not required if the borrower continues to own and lease the housing to eligible households. In fiscal 2007, the program was expanded to enable private and nonprofit borrowers to access financing for the creation of housing for persons with disabilities. The fiscal 2019 capital budget included \$6.0 million in general obligation bonds for the program.

Shelter and Transitional Housing Facilities Grant Program

The Shelter and Transitional Housing Facilities Grant Program provides grants to local governments and nonprofit groups to develop emergency shelters and transitional housing for homeless individuals and families. The fiscal 2019 capital budget included \$3.0 million in general obligation bonds for the program.

Maryland Base Realignment and Closure Preservation Loan Fund

The Maryland Base Realignment and Closure (BRAC) Preservation Loan Fund provides loans and other financial assistance to public and private developers to preserve affordable multifamily rental housing in jurisdictions affected by the federal BRAC process. The fiscal 2019 budget included \$2.5 million in special funds for the program.

Senior Centers Capital Grant Program

The Senior Centers Capital Grant Program provides financial assistance to local governments for the acquisition, design, construction, renovation, and equipping of senior centers. These centers provide programs and services to support seniors with health screening, congregate meals, continuing education, recreational programs, and information and assistance programs. The State may provide a grant of up to 50% of the project cost, not to exceed \$800,000 in a 15-year period, and local governments are required to match

State funds on a dollar-for-dollar basis. The fiscal 2019 capital budget included \$1.6 million in general obligation bonds for the program.

Chapter 23. State Assumption of Local Functions

One aspect of State and local fiscal relationships is the State assumption of functions or responsibilities traditionally performed by local governments. State assumption of local programs may relieve local governments of the cost of programs over which they have little control, achieve equity when local administration resulted in significant inequities, or occur when specific functions in a local jurisdiction require State intervention.

Numerous reasons underlie State assumption of local functions. In the case of public assistance and social services programs, local officials exercised almost no discretionary authority. The local property assessment function was taken over to relieve inequities in the assessment process. The local property tax credit programs for elderly homeowners were taken over by the State to bring about a greater degree of uniformity in the credits and to change the funding of the program from the local property tax to State revenues. State assumption of the Baltimore City detention center, central booking facility, and community college helped to alleviate fiscal pressures in Baltimore City, while providing services to city residents.

The exhibits in this chapter focus on the State's assumption of local functions in Baltimore City and local circuit court functions, which involve relatively recent instances (within the last 30 years) of State assumption of local functions. As shown in Exhibit 23.1, State appropriations for local functions in Baltimore City totaled \$145.6 million in fiscal 2019, while appropriations for local circuit court functions totaled \$163.9 million.

Exhibit 23.1
Local Government Functions Assumed by the State in the Last 30 Years
Fiscal 2015 and 2019
(\$ in Millions)

	<u>2015</u>	<u>2019</u>	<u>Percent Change</u>
Baltimore City Functions	\$186.2	\$145.6	-21.8%
Local Circuit Courts	129.3	163.9	26.8%
Total	\$315.5	\$309.5	-1.9%

Source: Department of Legislative Services

Baltimore City Functions

In the past, when the State assumed a local function, it assumed the function for all jurisdictions in the State. Recently, however, with the exception of circuit court costs, State

assumption of local functions has been specific to Baltimore City. Exhibit 23.2 shows the amount of recent State funding (since fiscal 2015) for the three assumed local government functions in Baltimore City.

Exhibit 23.2
Baltimore City Functions Assumed by the State
(\$ in Millions)

<u>Fiscal</u>	<u>Community College</u>	<u>Detention Center/ Pretrial Complex</u>	<u>Central Booking</u>	<u>Total</u>
2015	\$40.1	\$86.7	\$59.4	\$186.2
2016	40.8	82.5	65.1	188.3
2017	40.1	63.1	60.0	163.1
2018	40.6	67.6	61.4	169.6
2019	40.4	40.2	65.0	145.6

Source: Department of Legislative Services

Baltimore City Pretrial Complex and Central Booking and Intake Facility

County governments have traditionally been given the responsibility for defendants confined while awaiting pretrial release or trial. County governments spent \$437.7 million in fiscal 2017 on local correctional services. In Baltimore City, however, the Department of Public Safety and Correctional Services is responsible for operating and funding the Baltimore Pretrial Complex and the Baltimore Central Booking and Intake Facility.

Legislation enacted in 1991 authorized the State to assume the costs and operation of the Baltimore City Detention Center (now closed, discussed below) and provided for State operation of a Central Booking and Intake Facility in Baltimore City by fiscal 1995. The city's central booking and intake facility originally opened in fiscal 1996. To partially offset the costs to operate these two facilities, State funding for Baltimore City under the police aid formula, which amounted to \$37.7 million in fiscal 1991, was discontinued beginning in fiscal 1992; however, legislation enacted in 1996 provided a small grant to Baltimore City under the police aid formula beginning in fiscal 1997.

In connection with the State's settlement in 2016 of long-running litigation (*Duvall v. Hogan*) regarding conditions in the Baltimore City Detention Center, the

Baltimore City Detention Center was closed. The Men’s Detention Center closed in fiscal 2016, and additional facilities previously considered part of the Baltimore City Detention Center (but now referred to as part of the Baltimore Pretrial Complex) have since been closed.

Baltimore City Community College

Community colleges are considered units of local government. Generally, the State makes financial contributions to local community colleges through several formula grants. Statewide, local community colleges receive around 24.9% of their operating funding from the State and 30.6% from county governments.

However, in Baltimore City, the local community college is operated and funded by the State. Legislation enacted in 1990 established the city’s community college as a State agency beginning in fiscal 1991. The college was authorized to be a State agency for three years and was scheduled to become a local entity on July 1, 1993, but legislation enacted in 1992 made the community college a permanent State institution of higher education. As shown in Exhibit 23.2, State funding appropriated for the Baltimore City Community College totaled \$40.4 million in fiscal 2019.

Local Circuit Court Functions

The circuit courts are the highest trial courts exercising jurisdiction within the State. Generally, the circuit courts handle major civil cases, the more serious criminal cases, all family and juvenile law cases, and appeals from the District Court and certain administrative agencies. The circuit courts are funded by the State and local governments; local governments funded all circuit court costs until fiscal 1946 when the State assumed the funding of circuit court judges’ salaries.

Beginning in fiscal 1986, the State assumed the personnel and operational costs of circuit court clerks’ offices; prior to fiscal 1986, the clerks’ offices were funded by fees with a State appropriation to cover any deficiencies. Beginning in fiscal 1997, the State assumed the costs of new standing masters, and by fiscal 2003, had assumed all compensation costs for standing masters. While standing masters employed in fiscal 2001 had the choice of becoming State employees or remaining county employees with salaries funded by the State, all standing masters hired on or after July 1, 2002, are required to be State employees. References to “master” throughout the Maryland Code were recently changed (Chapter 414 of 2015) to “magistrate.”

In fiscal 1999, the State assumed all costs for the family divisions and family services. In fiscal 2000, the State began contributing \$5 for each juror per diem; in fiscal 2002 the contribution increased to \$15. In fiscal 2006, the State increased the juror

per diem from \$15 to \$50 after the fifth day of juror service. Also in fiscal 2000, the State began providing funding for the costs of court interpreters. All local savings generated by State assumption of circuit court costs must be used by the local jurisdiction solely for circuit court costs or related public safety purposes.

The State assumed funding for law clerks of circuit court judges beginning in fiscal 2004. A provision in the Budget Reconciliation and Financing Act of 2003 required local jurisdictions to make a 25% contribution for the salaries of circuit court law clerks. This provision was repealed in 2006, effective fiscal 2007. The law requires the State to fund the employment of one law clerk for each circuit court judge hired on or after July 1, 2002. The counties are required to utilize their cost savings for other circuit court expenditures or related public safety measures while not supplanting current expenditures.

Most recently, the State has begun to assume the cost of circuit court facilities with lease payments to local jurisdictions. As originally enacted in 2002, State assumption was to begin in fiscal 2004. However, the 2003 Budget Reconciliation and Financing Act delayed the circuit court rent payments until fiscal 2007. In fiscal 2007, the State was to pay local jurisdictions \$250,000 in rent for space occupied in county facilities by the circuit court clerks at a rate of \$2.50 per net useable square foot. The rent was to increase to \$5 in fiscal 2008 and to \$10 in fiscal 2009. However, legislation enacted in 2008 provided that the Chief Judge of the Court of Appeals must certify to the Governor an amount not exceeding \$500,000 for the rent for space occupied.

As noted in Exhibit 23.3, State assumed costs of local circuit court functions totaled \$163.9 million in fiscal 2019. Exhibit 23.4 shows the estimated State assumed costs by jurisdiction for fiscal 2018.

Exhibit 23.3
Local Circuit Court Functions Assumed by the State

Fiscal	Clerks of Court	Juror Fees	Magistrates' Salaries	Law Clerks	Family Divisions/ Family Services	Interpreters	Court Leases	Total
1995	\$44,429,640	\$0	\$0	\$0	\$0	\$0	\$0	\$44,429,640
1996	47,038,793	0	0	0	0	0	0	47,038,793
1997	49,299,644	0	0	0	0	0	0	49,299,644
1998	47,868,594	0	0	0	0	0	0	47,868,594
1999	52,741,913	0	0	0	4,371,720	0	0	57,113,633
2000	57,770,131	0	0	0	5,258,981	0	0	63,029,112
2001	58,907,656	0	0	0	6,599,614	0	0	65,507,270
2002	65,327,986	3,012,989	0	0	7,199,222	487,377	0	76,027,574
2003	64,218,086	3,327,656	3,908,792	0	7,634,975	565,475	0	79,654,984
2004	63,727,796	3,398,168	5,739,485	6,247,463	7,741,459	669,878	0	87,524,249
2005	68,917,535	2,759,395	5,950,757	6,626,376	8,528,986	751,238	0	93,534,287
2006	74,970,737	4,192,372	6,537,399	5,076,419	9,099,993	934,110	0	100,811,030
2007	79,294,276	3,867,875	7,124,042	7,227,658	10,198,693	1,347,958	250,000	109,310,502
2008	80,025,841	4,037,418	7,723,334	6,668,975	10,623,964	1,503,545	500,000	111,083,077
2009	85,167,158	3,835,685	8,281,073	7,367,857	11,737,356	1,225,447	500,000	118,114,576
2010	85,082,532	3,769,494	9,471,921	7,438,280	11,081,565	1,282,127	500,000	118,625,919
2011	92,637,671	4,038,464	9,526,598	7,644,300	10,976,216	1,425,823	500,000	126,749,072
2012	87,815,390	4,005,483	9,059,191	7,593,716	7,283,980	1,438,824	500,000	117,696,584
2013	86,956,286	3,910,424	9,751,016	7,699,748	9,159,118	1,477,258	500,000	119,453,850
2014	88,838,808	3,916,180	9,135,006	7,822,254	9,939,281	1,528,891	500,000	121,680,420
2015	95,096,171	3,941,610	10,012,404	8,021,109	10,151,117	1,562,297	500,000	129,284,708
2016	101,796,338	4,215,720	10,497,541	8,389,135	10,749,128	1,853,553	500,000	138,001,415
2017	110,483,945	4,353,005	11,665,574	8,953,561	11,666,703	2,011,587	500,000	149,634,376
2018 Estimate	110,100,546	4,354,195	11,624,884	9,253,833	11,668,944	2,090,279	500,000	149,592,681
2019 Estimate	120,059,940	4,433,595	13,539,701	11,071,599	12,257,234	2,073,881	500,000	163,935,950

Source: Administrative Office of the Courts

Exhibit 23.4
Local Circuit Court Functions Assumed by the State
Fiscal 2018 Estimated Expenditures

County	Clerks of Court	Juror Fees	Magistrates' Salaries	Law Clerks	Family Divisions/ Family Services	Interpreters	Court Leases	Total
Allegany	\$1,500,720	\$40,305	\$282,346	\$102,094	\$180,587	\$2,241	\$6,894	\$2,115,187
Anne Arundel	9,932,427	339,675	1,033,753	703,616	872,402	190,232	29,405	13,101,509
Baltimore City	21,230,348	1,280,270	2,894,785	1,963,880	1,425,985	322,518	199,973	29,317,759
Baltimore	10,573,902	413,085	1,128,106	1,065,071	1,195,437	184,285	30,588	14,590,474
Calvert	1,968,190	8,880	176,859	158,823	168,107	8,793	4,351	2,494,003
Caroline	986,425	17,920	161,238	58,169	138,755	11,160	3,613	1,377,280
Carroll	2,718,438	44,525	345,340	222,561	427,311	34,114	12,994	3,805,284
Cecil	2,490,764	116,820	168,064	221,112	255,959	31,920	7,473	3,292,112
Charles	3,442,503	113,440	515,280	257,013	214,202	40,777	13,834	4,597,048
Dorchester	1,410,652	18,720	171,241	57,262	146,080	12,871	14,124	1,830,949
Frederick	3,567,889	61,080	330,271	339,570	344,746	89,541	9,818	4,742,914
Garrett	894,675	8,895	168,057	34,339	135,735	-	4,656	1,246,357
Harford	4,371,730	165,735	563,188	295,344	307,276	32,250	8,958	5,744,481
Howard	3,182,065	87,090	530,631	270,113	264,159	59,487	11,772	4,405,316
Kent	927,566	8,100	-	52,791	143,545	5,974	2,859	1,140,834
Montgomery	14,331,560	482,785	754,478	1,251,437	1,926,386	364,174	55,235	19,166,056
Prince George's	14,311,323	828,645	1,221,647	1,263,252	2,216,260	568,948	43,746	20,453,821
Queen Anne's	1,299,270	20,715	161,115	55,114	165,997	3,233	4,832	1,710,275
St. Mary's	1,601,028	31,365	176,917	165,504	156,564	4,753	5,013	2,141,144
Somerset	1,300,983	28,995	147,669	54,448	132,362	12,496	2,377	1,679,329
Talbot	1,045,556	18,825	177,048	54,875	166,781	14,856	3,129	1,481,070
Washington	2,656,955	74,310	172,797	235,824	230,587	21,015	8,420	3,399,907
Wicomico	2,132,710	99,300	173,718	112,558	230,621	59,919	9,669	2,818,494
Worcester	2,222,871	44,715	170,336	259,063	223,100	14,724	6,267	2,941,076
Total	\$110,100,546	\$4,354,195	\$11,624,884	\$9,253,833	\$11,668,944	\$2,090,279	\$500,000	\$149,592,681

Source: Administrative Office of the Courts

History of State Assumption of Other Local Functions

Health and Social Service Programs

Public Assistance

As a result of an extensive study by the Legislative Council's Committee on Taxation and Fiscal Matters, legislation was enacted in 1961 that placed an overall limitation on total local spending for welfare programs. Legislation was subsequently enacted that changed the role of the local boards to an advisory status and enlarged the role of the Department of Social Services in determining eligibility standards and grant levels pursuant to federal law and regulations. In December 1973, the Commission on the Functions of Government issued a report recommending that welfare programs should be financed jointly by the federal and State governments and that local governments should be relieved of financial responsibility for a program over which there was almost no local discretionary authority. The Governor provided funds in fiscal 1974 to reduce local financial responsibilities for welfare. Legislation was subsequently adopted at the 1974 session providing for a phase out of local funding mechanisms by the end of fiscal 1976.

Food Stamp Program

Prior to 1980, local governments administered the federal Food Stamp Program. Legislation enacted in 1979 transferred responsibility for funding the administration of the federal Food Stamp Program to the State.

Medical Assistance

The State began to make contributions to hospitals for the cost of in-patient care of indigent persons in 1945. With the enactment of the federal Medical Assistance Program in 1966, State law was changed to require a State contribution of 80% and a local contribution of 20% for the cost of hospitalized indigent persons. The requirement for the 20% local contribution continued until 1973 when legislation placed a maximum dollar ceiling on the local contribution. At the 1974 session, the local contribution and maximum amount was reduced by half, and, at the 1978 session, it was eliminated entirely.

Public Safety, Courts, and Judiciary

District Court System

The District Court was created in 1971 as a statewide entity after ratification of a constitutional amendment in 1970. The District Court replaced varying local trial magistrates, people's court systems, and municipal courts and handles some criminal, most motor vehicle, and many civil cases. All employees of the local court systems were transferred to the District Court. The State assumed responsibility for all administrative expenses and received the fines and costs collected by the court.

Office of the Public Defender

Prior to 1971, legal representation for indigent persons accused of criminal offenses rested with various programs within the circuit courts subject to the availability of funds as provided by the counties and Baltimore City. In 1971, the statewide Office of the Public Defender was created by the General Assembly in response to a U.S. Supreme Court decision that indigent persons accused of criminal offenses had a right to counsel and related services. The Office of the Public Defender replaced various circuit court programs throughout the State.

Baltimore City Pretrial Release Services

Based on a report issued by the Clerks of the Court Task Force in 1984, legislation was enacted in 1985 that transferred the Baltimore City Pretrial Release Services Division from the Baltimore City Clerk of the Circuit Court to the Department of Public Safety and Correctional Services.

Court-ordered Mental Health Examinations

As part of pretrial procedures, courts may request mental health examinations of persons accused of serious crimes. Since the counties and Baltimore City were responsible for the administrative costs of the circuit court system, the State hospitals charged the local governments for the costs of these examinations. In 1977, legislation was enacted to relieve the counties and Baltimore City of the responsibility of paying for court-ordered mental health examinations.

Probation Employees

Effective in fiscal 1974, local probation employees in Prince George's County and Baltimore City were transferred to the State's Division of Parole and Probation, and local laws providing for probation departments in these jurisdictions were repealed or amended.

In the following year, probation employees of Harford County were transferred to the State; Baltimore County probation employees were transferred in fiscal 1978. Now, all parole and probation services are provided by the Department of Public Safety and Correctional Services.

Child Support Enforcement

Legislation enacted in 1978 transferred Baltimore City's child support enforcement function to the State's Child Support Enforcement Administration of the Department of Human Resources. The legislation also authorized a county or circuit court with a local support enforcement office to request responsibility for support enforcement to be transferred to the Child Support Enforcement Administration. As of fiscal 2003, all local jurisdictions had transferred their child support functions to the State.

Office of Post Mortem Examiners

Prior to fiscal 1981, Baltimore City funded certain positions in the Department of Post Mortem Examiners, such as investigators, morgue assistants, and clerks, and the counties funded services of the deputy medical examiners. Legislation enacted in 1979 transferred the costs for post mortem examiners to the State and transferred all employees of the department to the State personnel system effective in fiscal 1981. Currently known as the Office of the Chief Medical Examiner in the Department of Health, the office assists State's Attorneys, the courts, law enforcement agencies, and families.

Mass Transportation

In 1961, the legislature created the Metropolitan Transit Authority (now the Maryland Transit Administration) to plan a mass transit system for the Baltimore metropolitan area. When the authority was reenacted in 1969, the legislation included a provision that State financial assistance for mass transit should be allocated on a parity basis between the Baltimore and Washington areas.

The Washington Suburban Transit Commission was established in 1965 to administer Maryland's participation in the development, construction, and financing of the Washington Metro subway system. The commission received its funds for construction from bonds issued by Montgomery and Prince George's counties. Public transportation in the Washington metropolitan area is supported by funds from Maryland, Virginia, and the District of Columbia. The State and Montgomery and Prince George's counties share responsibility for Maryland's portion.

The construction of the Washington area's Metro system began prior to the initiation of the Baltimore subway system. The financial commitment assumed by Montgomery and Prince George's counties totaled \$259 million. In 1971, plans for Phase I of the Baltimore subway system were completed. The legislature increased the gasoline tax at the 1972 session to finance an expanded highway program and the State's commitment for mass transit. The legislation provided for State financing of the nonfederal portion of the Baltimore subway system (subsequently estimated to be \$159 million) and for the State to assume financial responsibility for the remaining \$161 million of Montgomery and Prince George's counties' contribution toward the Washington area's Metro system. The legislation also provided that the \$10 million in loans previously made available by the State to each system should be considered as grants.

In 1980, the General Assembly agreed to provide State grants to the Washington area's Metro system for (1) construction in the amounts required of the Washington Suburban Transit District in accordance with capital contribution agreements between the Washington Metropolitan Area Transit Authority (WMATA), the Washington Suburban Transit District, and other participating jurisdictions; (2) 75% of operating deficiencies, defined as operational costs reduced by available federal funds and the greater of operating revenues or 50% of operating costs; and (3) 75% of the debt service on bonds issued prior to July 1, 1979.

In 1984, the General Assembly further agreed to provide State subsidies for local bus systems in Montgomery and Prince George's counties. The program paid 37.5% of operating costs or 75.0% of the operating deficit (whichever is less) of bus operations implemented to replace services previously operated by the Washington area's Metro system.

The State provided increased funding for WMATA with legislation passed in 1992 for services in Montgomery and Prince George's counties beginning in fiscal 1993. The State's share of funding for the operating deficits of both WMATA and eligible bus service was increased from 75% to 100%. In addition, beginning in fiscal 2000, the State now pays 100% of WMATA's capital equipment costs.

Property Assessment and Property Tax Credits

Property Assessment

The assessment of State property originally was the sole responsibility of the counties and Baltimore City. The State Department of Assessments and Taxation was established in 1959 and granted the authority to establish standards and guidelines over local jurisdictions' assessment processes. At this time, the State began to fund 60% of the salaries of assessors, with local governments funding the remainder of the costs. In 1973,

legislation was enacted whereby the State assumed complete administrative responsibility for the assessment function and began paying all costs on a three-year phased-in basis. State assumption of the property assessment process was designed to achieve uniformity in the property assessment process.

Chapter 397 of 2011 required counties to reimburse the State for certain property valuation expenditures, beginning in fiscal 2012. Counties must reimburse the State Department of Assessments and Taxation for 50% of the costs of real property valuation, of business personal property valuation, and of information technology incurred by the department. In fiscal 2019, reimbursements from counties will total an estimated \$21.3 million.

Property Tax Credits

During the early 1960s, numerous local laws were enacted authorizing local governments to grant property tax credits to elderly homeowners. In 1963, statewide authority for such tax credits was enacted, and in 1967 the State enacted a mandatory minimum tax credit program for elderly homeowners. Subsequently, many local governments adopted more generous credit programs, either as a result of local action or local legislation. In 1975, the legislature enacted a statewide property tax credit program for elderly homeowners (over 60 years of age) in lieu of the existing local programs; local programs were redundant and eliminated after the statewide property tax credit program was created. The action was taken to bring about a greater degree of uniformity in the credits and to change the funding of the program from the local property tax to State revenues.

Chapter 24. Federal Aid to Local Governments

Local governments receive federal financial assistance either directly from the federal government or from the State in the form of “pass-through” federal grants that are administered by State agencies. Direct payments include Community Development Block Grants, public housing grants, Head Start grants, and higher education grants. Pass-through grants occur in the areas of primary and secondary education, vocational education, health and human services, law enforcement, and transportation.

Federal aid accounts for a small percentage of local government revenues. From fiscal 2007 to 2017, the federal share of local revenues excluding debt proceeds decreased slightly. In fiscal 2017, federal aid accounted for 6.5% of county revenues and 2.4% of municipal revenues. In fiscal 2007, federal aid accounted for 6.7% of county revenues and 2.6% of municipal revenues. From fiscal 2007 to 2017, federal aid to county governments increased at an average annual rate of 2.4% compared to 2.6% for total county revenues. Federal aid for municipalities increased at an average annual rate of 0.9% compared to 2.0% for total municipal revenues. Exhibit 24.1 shows the growth in federal aid from fiscal 2007 to 2017 for both county and municipal governments.

Exhibit 24.1
Federal Aid to Maryland Local Governments
Fiscal 2007 and 2017
(\$ in Millions)

	<u>FY 2007</u>	<u>FY 2017</u>	<u>Percent Change</u>
Counties	\$1,554.4	\$1,963.9	26.3%
Municipalities	32.8	35.9	9.5%
Total	\$1,587.2	\$1,999.8	26.0%

Source: *Local Government Finances in Maryland*, Department of Legislative Services

The major areas in which local governments receive federal funds include primary and secondary education, community colleges, health and human services, housing and community development, public safety, and transportation. In fiscal 2017, county governments and Baltimore City received federal aid totaling \$2.0 billion and municipalities received \$35.9 million (Exhibit 24.2). Of the aid provided to counties and Baltimore City, approximately \$863.8 million (44.0%) was for primary and secondary education, \$171.9 million (8.8%) was for community colleges, \$142.4 million (7.3%) was

for local health departments, \$391.2 million (19.9%) was for community development, and \$394.7 million (20.1%) was for other programs. Exhibit 24.3 presents federal aid by category for Baltimore City and county governments in fiscal 2017, while Exhibit 24.4 shows federal aid for municipal governments. A description of some of the major federal aid programs in the various areas follows.

Primary and Secondary Education

Title I Grants to Local Educational Agencies

Title I grants are a significant source of federal aid to local school systems. The grants help local school systems target and assist children disadvantaged by poverty to successfully complete elementary and secondary education. State educational agencies receive formula grants and administer the program. Local school systems receive grants from the State.

Supporting Effective Instruction State Grants

Supporting Effective Instruction State Grants provide funds to the states (that are passed through to local school systems) to increase student achievement, increase the quality and effectiveness of teachers and school leaders, increase the number of effective teachers and school leaders, and provide low-income and minority students greater access to effective teachers and school leaders.

Food and Nutrition Services

The Food and Nutrition Service in the U.S. Department of Agriculture provides free and reduced-price subsidies for the National School Lunch Program, the School Breakfast Program, the Summer Food Service Program, and meals and snacks for children enrolled in eligible after school programs. Public schools are reimbursed at rates that are adjusted on an annual basis to reflect changes in the Food Away From Home Series of the Consumer Price Index.

Exhibit 24.2
Federal Aid to Local Governments
Fiscal 2017

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$27,731,000	\$6,113,923	\$33,844,923	\$469	6
Anne Arundel	97,615,769	5,068,243	102,684,012	180	24
Baltimore City	364,073,582	0	364,073,582	590	2
Baltimore	260,367,307	0	260,367,307	313	11
Calvert	17,741,444	154,477	17,895,921	196	23
Caroline	12,275,829	4,663,571	16,939,400	515	5
Carroll	37,414,261	2,211,936	39,626,197	237	20
Cecil	27,230,481	184,839	27,415,320	267	16
Charles	46,868,877	8,943	46,877,820	298	14
Dorchester	16,518,268	107,754	16,626,022	515	4
Frederick	52,387,858	4,929,453	57,317,311	231	21
Garrett	12,785,798	98,555	12,884,353	439	7
Harford	65,645,123	81,580	65,726,703	262	17
Howard	76,941,217	0	76,941,217	243	18
Kent	9,627,871	1,337,606	10,965,477	558	3
Montgomery	381,214,663	930,145	382,144,808	365	8
Prince George's	306,934,496	2,125,971	309,060,467	339	9
Queen Anne's	10,302,025	623,666	10,925,691	222	22
St. Mary's	26,627,206	0	26,627,206	238	19
Somerset	16,598,238	379,499	16,977,737	657	1
Talbot	9,428,122	810,579	10,238,701	275	15
Washington	43,232,604	2,409,611	45,642,215	305	13
Wicomico	31,064,114	593,587	31,657,701	309	12
Worcester	13,310,038	3,079,480	16,389,518	318	10
Total	\$1,963,936,191	\$35,913,418	\$1,999,849,609	\$332	

Source: *Local Government Finances in Maryland*, Department of Legislative Services

Exhibit 24.3
Federal Aid to County Governments
Fiscal 2017

County	Public Schools	Community Colleges	Health Departments	Community Development	Other Programs	Total
Allegany	\$11,930,537	\$6,669,007	\$4,751,058	\$928,593	\$3,451,805	\$27,731,000
Anne Arundel	58,337,597	11,334,463	9,125,435	5,659,334	13,158,940	97,615,769
Baltimore City	167,465,000	0	20,837,263	27,703,664	148,067,655	364,073,582
Baltimore	104,426,000	36,418,093	15,505,855	77,075,523	26,941,836	260,367,307
Calvert	10,729,406	2,110,062	2,736,957	0	2,165,019	17,741,444
Caroline	8,066,543	1,000,302	2,724,748	0	484,236	12,275,829
Carroll	13,772,694	2,622,849	5,185,600	5,629,274	10,203,844	37,414,261
Cecil	13,616,684	3,608,729	3,112,709	4,894,135	1,998,224	27,230,481
Charles	20,513,977	4,566,684	5,298,496	8,839,793	7,649,927	46,868,877
Dorchester	8,621,849	682,593	2,715,390	0	4,498,436	16,518,268
Frederick	23,449,438	4,346,915	4,972,645	6,915,971	12,702,889	52,387,858
Garrett	5,027,341	1,916,466	3,149,303	125,597	2,567,091	12,785,798
Harford	30,846,802	6,071,615	5,604,917	12,424,315	10,697,474	65,645,123
Howard	29,159,536	12,527,393	4,203,692	13,198,441	17,852,155	76,941,217
Kent	2,771,951	300,341	1,809,088	0	4,746,491	9,627,871
Montgomery	131,756,072	37,914,754	10,608,670	130,923,040	70,012,127	381,214,663
Prince George's	140,384,328	22,148,499	18,016,321	89,539,825	36,845,523	306,934,496
Queen Anne's	5,264,526	1,124,070	2,480,050	61,316	1,372,063	10,302,025
St. Mary's	18,626,493	1,982,392	1,502,492	0	4,515,829	26,627,206
Somerset	6,264,841	0	2,144,223	6,863,357	1,325,817	16,598,238
Talbot	4,782,307	1,081,254	1,282,325	0	2,282,236	9,428,122
Washington	23,109,184	7,326,899	5,096,621	0	7,699,900	43,232,604
Wicomico	18,039,186	4,353,435	5,856,706	375,006	2,439,781	31,064,114
Worcester	6,791,031	1,778,163	3,673,691	0	1,067,153	13,310,038
Statewide	\$863,753,323	\$171,884,978	\$142,394,255	\$391,157,184	\$394,746,451	\$1,963,936,191

Source: *Local Government Finances in Maryland*, Department of Legislative Services

Exhibit 24.4
Federal Aid to Municipal Governments
Fiscal 2017

County	Community Development	Public Safety	Transportation	Sewer/Waste/ Water	Economic Development	Other Programs	Total
Allegany	\$3,169,464	\$25,746	\$134,289	\$2,175,503	\$109,251	\$499,670	\$6,113,923
Anne Arundel	411,002	1,219,468	1,967,224	1,216,050	0	254,499	5,068,243
Baltimore City	0	0	0	0	0	0	0
Baltimore	0	0	0	0	0	0	0
Calvert	0	0	0	0	0	154,477	154,477
Caroline	0	16,978	0	4,577,037	0	69,556	4,663,571
Carroll	2,168,588	29,276	0	0	0	14,072	2,211,936
Cecil	0	3,114	0	0	0	181,725	184,839
Charles	0	8,943	0	0	0	0	8,943
Dorchester	0	107,754	0	0	0	0	107,754
Frederick	272,250	185,685	1,714,428	0	2,431,014	326,076	4,929,453
Garrett	0	0	0	0	31,205	67,350	98,555
Harford	0	22,988	0	0	0	58,592	81,580
Howard	0	0	0	0	0	0	0
Kent	0	0	0	1,331,606	0	6,000	1,337,606
Montgomery	235,878	8,353	0	0	443,337	242,577	930,145
Prince George's	1,361,432	336,121	81,029	0	227,000	120,389	2,125,971
Queen Anne's	0	0	0	623,666	0	0	623,666
St. Mary's	0	0	0	0	0	0	0
Somerset	0	0	358,099	0	21,400	0	379,499
Talbot	0	0	0	266,831	0	543,748	810,579
Washington	0	458,496	636,129	0	784,812	530,174	2,409,611
Wicomico	436,619	144,246	0	15,722	-3,000	0	593,587
Worcester	96,460	534,145	1,363,052	3,600	0	1,082,223	3,079,480
Statewide	\$8,151,693	\$3,101,313	\$6,254,250	\$10,210,015	\$4,045,019	\$4,151,128	\$35,913,418

Source: *Local Government Finances in Maryland*, Department of Legislative Services

Career and Technical Education Basic State Grants

Career and Technical Education Basic State Grants are designed to expand and improve programs of career and technical education and provide equal access to career and technical education for special needs populations. States apply for and receive grants to administer the program. Local school systems may apply to states to receive grant funds.

Special Education Basic State Grants

Special Education Basic State Grants are intended to make free public education available to all children with disabilities. Funds are used by State and local school systems. State education agencies apply for the grants and administer the program. Local school systems receive grants from the State.

Adult Education Basic State Grants

Adult Education Basic State Grants improve literacy, computational, and other educational opportunities for adults who have not completed secondary school. State educational agencies administer the program and provide grants to local school systems, schools, and community-based organizations that have developed adult education programs. This program is administered by the Department of Labor, Licensing, and Regulation.

Community Colleges

Pell Grants

Pell Grants provide need-based assistance to low- and middle-income postsecondary students. The State's postsecondary institutions of higher learning receive the funds from the federal government and then act as the disbursing agent to students.

Federal Work-study Program

The Federal Work-study Program provides part-time employment to postsecondary students to defray costs of education and enhance opportunities for community service. Colleges apply for grants and receive an administrative cost allowance for administering the program.

Federal Supplemental Educational Opportunity Grants

The Federal Supplemental Educational Opportunity Grant program provides grants of up to \$4,000 per academic year for students working on their first undergraduate baccalaureate degree. Colleges apply for grants and receive administrative cost allowances for administering the program.

National Endowment for the Humanities

The National Endowment for the Humanities funds project grants for research in the humanities, educational opportunities, research and writing of scholarly texts, translations of important works, preservation of texts and materials, museum exhibitions, and television and radio programs.

Health and Human Services

Special Supplemental Nutrition Program for Women, Infants, and Children

The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) provides supplemental nutritious foods, nutrition education, and health care referrals to low-income pregnant, breastfeeding, and postpartum women, as well as infants and children up to age five who are at nutritional risk. Nutrition and education are provided at no cost to program participants. States apply for WIC grants and administer the program. Local agencies that qualify under State agency guidelines may operate WIC programs.

Emergency Solutions Grant Program

The Emergency Solutions Grant Program helps to provide street outreach to homeless individuals and families, improve the quality of emergency shelters, and provide transitional housing for the homeless, including funding shelter operation costs and essential social services to help prevent homelessness. Metropolitan cities and urban counties may apply for grants from the federal government. Other local governments receive grants through the State-administered program.

Head Start

Head Start, with parent involvement, provides comprehensive health, educational, nutritional, social, and other services to economically disadvantaged preschool children. Services are primarily for families with incomes below the federal poverty level. Services are provided to children up to age five. At least 10% of enrollment in any Head Start

program must be available for children with disabilities. Local governments apply to the federal government directly for grants.

Housing and Community Development

Community Development Block Grants

The Community Development Block Grant Program provides grants to State and local governments for use in revitalizing neighborhoods, expanding affordable housing and economic opportunities, and improving community facilities and services. Activities primarily benefit low- and moderate-income individuals.

Public Housing Grants

Public Housing Grants are designed to provide and operate cost-effective, decent, safe, and affordable housing for lower income families. Operating subsidy funds are available and capital funds are also provided for improvement of the condition of existing public housing. Local governments approve the proposed housing programs. Local governments or public housing agencies may apply for grants directly from the federal government.

Community Services Block Grants

The Community Services Block Grant program is designed to reduce poverty and empower and revitalize low-income communities by helping low-income individuals and families secure and retain meaningful employment; attain an adequate education; improve the use of available income, obtain adequate housing, and obtain emergency assistance, including health and nutrition services; remove obstacles which block the achievement of self-sufficiency; and achieve greater participation in the affairs of the community. The State administers the program and provides the funding to local community development agencies.

Public Safety

Byrne Justice Assistance Grants

Byrne Justice Assistance Grants provide funds to support all components of the criminal justice system under broad, federally defined purpose areas and State-defined priority areas such as collaborative, data-driven law enforcement programs; evidence-based, data-driven programs designed to reduce violent crime; programs that improve Maryland's sentencing and corrections policies; and programs offering services and intervention strategies to address the heroin and opioid crisis.

Juvenile Justice Grants

Juvenile Justice Grants provide funds to improve the juvenile justice system through programs reflecting the principles of accountability without criminalization, alternatives to justice system involvement, an individualized approach based on assessment of needs and risks, confinement only when necessary for public safety, a genuine commitment to fairness, sensitivity to disparate treatment, family engagement, and prevention and education programs.

Violence Against Women Formula Grants

Violence Against Women Formula Grants provide resources to develop and strengthen victim services and law enforcement and prosecution strategies to combat violent crimes against women.

State Homeland Security Grants

State Homeland Security Grants provide funds to support building and sustaining preparedness capabilities through planning, equipment, training, and exercise activities. Funding is awarded based on a combined formula and competitive basis to states and passed through to local jurisdictions.

Emergency Management Performance Grants

Emergency Management Performance Grants provide funds to assist in the development, maintenance, and improvement of State and local emergency management capabilities. Funding is used to sustain and enhance catastrophic planning needs and capabilities.

Urban Areas Security Initiative Grants

Urban Areas Security Initiative Grants provide financial assistance to address the unique multidiscipline planning, organization, equipment, training, and exercise needs of high-threat, high-density urban areas, and to assist them in building and sustaining capabilities to prevent, protect against, respond to, and recover from threats or acts of terrorism.

Transportation

Urbanized Area Grant Program – Section 5307

The Federal Transit Administration’s Section 5307 Urbanized Area Grant Program provides operating and capital funding to small urban local transit systems within the State. Current annual recipients of this small urban program include 12 counties. The annual operating funds are reflected within the Maryland Transit Administration’s annual operating budget. The federal share of operating funding is up to 50% of the net project cost.

Other than Urbanized Area Grant Program – Section 5311

The Federal Transit Administration’s Section 5311 Other than Urbanized Area Grant Program provides operating and capital funds to rural local transit systems within the State. Annual recipients of this rural transit program include 19 counties and one city (Ocean City). Federal funds may be used for up to 80% of capital and administrative expenses and up to 50% of operating expenses. Projects that meet Americans with Disabilities Act, Clean Air Act, or bicycle access requirements may be funded at a 90% federal match. This funding program also supports intercity bus service between regions. The annual operating funds are reflected within the Maryland Transit Administration’s annual operating budget.

Congestion Mitigation and Air Quality

The Congestion Mitigation and Air Quality program provides a flexible funding source to State and local governments for transportation projects and programs to help meet the requirements of the Clean Air Act. Funding is available to reduce congestion and improve air quality for areas that do not meet the National Ambient Air Quality Standards for ozone, carbon monoxide, or particulate matter (nonattainment areas) and for areas that were out of compliance but have now met the standards (maintenance areas). Funding is provided for local jurisdictions at a 100% federal share amount for ridesharing programs.

Surface Transportation Block Grant Program

The Surface Transportation Block Grant Program is a program that provides flexible funding that may be used by states and localities for projects to preserve and improve the conditions and performance on any federal aid highway, bridge, and tunnel projects on any public road; pedestrian and bicycle infrastructure; and transit capital projects, including intercity bus terminals.