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MARYLAND LOCAL
GOVERNMENT



Maryland Local Government

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Foreword

Local governments in Maryland have evolved significantly since the colonial era when they primarily functioned as administrative units 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 \$37.7 billion. As a key provider of public services, local governments are responsible for employing over 230,000 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 \$11.1 billion in fiscal 2023.

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 2022 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, Scott Gates, Matthew Mickler, Valarie Munroe, Trevor Owen, Michael Sanelli, Charity Scott, and Stan Ward, with Trevor Owen and April Noren contributing to the development of data. Scott Kennedy and Stan Ward coordinated and reviewed the volume. Hiram Burch, Jodie Chilson, Trevor Owen, and David Romans provided additional review. A special thanks is provided to Kamar Merritt 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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Contents

Foreword	iii
Chapter 1. Overview of Local Government in Maryland	1
Structure of Local Governments.....	1
Delivery of Public Services	9
Demographic Indicators.....	13
Chapter 2. County and Municipal Profiles	33
Allegany County	33
Anne Arundel County	34
Baltimore City.....	35
Baltimore County.....	36
Calvert County	37
Caroline County	38
Carroll County	39
Cecil County	39
Charles County.....	40
Dorchester County	41
Frederick County	42
Garrett County	43
Harford County	44
Howard County.....	45
Kent County	46
Montgomery County.....	47
Prince George’s County.....	48
Queen Anne’s County.....	49
St. Mary’s County.....	49
Somerset County.....	50
Talbot County	51
Washington County	52
Wicomico County	52
Worcester County	53
Chapter 3. County Government	55
Establishment and Alteration of Counties	55
Commission Counties	58
Charter Counties	61
Baltimore City.....	66
Code Counties.....	67

Chapter 4. Municipal Government	71
Historical Development	71
Constitutional Home Rule.....	76
Incorporation Process.....	77
Governmental Structure	77
Election of Local Officials.....	78
Powers of Municipalities	79
Limitations on Municipal Authority	82
Codification of Municipal Charters	82
Chapter 5. State and Local Relationships	85
Public General Laws and Public Local Laws	85
Local Bill Process in the General Assembly.....	86
Commission Counties	88
Charter Home Rule Counties	88
Baltimore City.....	89
Code Home Rule Counties.....	90
Municipalities	91
Special Taxing Districts and Regional Agencies.....	92
Conflict of Laws/State Preemption	93
Chapter 6. Overview of Local Government Revenues	97
Local Taxing Authority.....	99
County Revenues in Maryland.....	102
Municipal Revenues in Maryland.....	107
Chapter 7. Property Tax	111
Tax Base.....	114
Tax Administration	114
Tax Rate Setting Authority	118
Tax Exemptions	124
Property Tax Credits	125
Payment Dates	128
Chapter 8. Local Income Tax	129
Tax Base.....	129
Tax Rate Setting Authority	129
Administration of Tax.....	131
Chapter 9. Other Local Taxes	133
Local Transfer Tax.....	134
Recordation Tax.....	138
Agricultural Land Transfer Tax	142
Sales and Service Taxes.....	144
Admissions and Amusement Tax	150

Chapter 10. Development Impact Fees and Excise Taxes	155
Development Impact Fees.....	156
Development Excise Taxes.....	156
Imposition and Administration	156
Governmental Uses.....	158
Legal Authority.....	158
Tax Rate Setting Authority	159
Chapter 11. Service Charges	161
Service Charges	161
Chapter 12. Other Local Revenues	163
Licenses and Permits.....	163
Fines and Forfeitures.....	166
Miscellaneous Revenues.....	168
Chapter 13 Local Debt Measures	171
Types of Debt.....	171
Procedures.....	172
Limitations	174
Comparative Measures.....	175
Chapter 14. Overview of State Aid	181
Direct Aid and Retirement Payments	182
Capital Projects	196
Chapter 15. Education State Aid	199
State Education Aid	199
Bridge to Excellence and the Blueprint for Maryland’s Future.....	199
State Education Aid by Program.....	200
Results of the State Education Aid Structure.....	205
Public School Construction and Renovation	207
Chapter 16. Library State Aid	211
Library Aid Formula.....	213
State Library Network.....	217
Library Retirement.....	220
County Library Capital Project Grants	220
Chapter 17. Community College State Aid	223
State Aid.....	223
Capital Project Funding	227
Chapter 18. Health State Aid	229
Core Public Health Services Program.....	229
Capital Programs.....	233

Chapter 19. Transportation State Aid	235
Highway User Revenues.....	236
Elderly/Disabled Transportation.....	246
Paratransit Grants.....	246
Chapter 20. Public Safety State Aid	247
Public Safety Aid Programs.....	247
Police Protection and Crime Reduction	249
Senator Amoss Fire, Rescue, and Ambulance Fund (Fire Aid Formula).....	256
9-1-1 Emergency Telephone System.....	257
Local Jails and Detention Centers Capital Grant Program	258
Chapter 21. Environment and Recreation State Aid	259
Direct Aid (Operating Funding).....	259
Capital Grant and Other Programs.....	260
Chapter 22. Miscellaneous State Aid	273
Disparity Grants	275
Gaming Impact Grants.....	278
Instant Bingo Grants	279
Horse Racing Impact Aid.....	280
Local Voting System Grants.....	280
Payments in Lieu of Taxes (Maryland Port Administration Facilities).....	281
Senior Citizen Activities Center Operating Fund	281
Teacher Retirement Supplemental Grants	282
Payments in Lieu of Taxes (Forest and Park Land).....	282
Revenue Equity Program	283
Adult Education	283
Behavioral Health Crisis Response.....	283
State Center Redevelopment Plan.....	284
Capital Programs.....	284
Chapter 23. State Assumption of Local Functions	287
Baltimore City Functions.....	287
History of State Assumption of Other Local Functions.....	289
Chapter 24. Federal Aid to Local Governments	295
Primary and Secondary Education.....	299
Community Colleges	301
Health and Human Services.....	302
Housing and Community Development.....	303
Public Safety	303
Transportation	305

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 344 located in Maryland. Maryland has 23 counties, Baltimore City, 156 municipalities, and 164 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 subcounty 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	1,013	228	232
Townships	0	0	1,546	0	0
School Districts	19	0	514	0	55
Special Districts	255	164	1,691	194	309
Total	334	344	4,830	517	651
Rank	46th	45th	3rd	43rd	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, *2017 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	6,918	102	1,297	1,429	4,090	26	Montana	1,226	54	129		1,043
2	Texas	5,343	254	1,218		3,871	27	Alabama	1,195	67	461		667
3	Pennsylvania	4,830	66	1,013	1,546	2,205	28	Idaho	1,170	44	200		926
4	California	4,444	57	482		3,905	29	New Mexico	1,013	33	105		875
5	Ohio	3,897	88	931	1,308	1,570	30	North Carolina	970	100	552		318
6	Kansas	3,792	103	625	1,265	1,799	31	Mississippi	969	82	298		589
7	Missouri	3,768	114	944	283	2,427	32	Tennessee	906	92	345		469
8	Minnesota	3,643	87	853	1,780	923	33	Massachusetts	858	5	53	298	502
9	New York	3,450	57	601	929	1,863	34	Maine	834	16	23	465	330
10	Colorado	3,141	62	271		2,808	35	Wyoming	794	23	99		672
11	Wisconsin	3,096	72	601	1,251	1,172	36	Vermont	729	14	42	237	436
12	Michigan	2,863	83	533	1,240	1,007	37	South Carolina	671	46	270		355
13	North Dakota	2,664	53	357	1,308	946	38	Arizona	658	15	91		552
14	Indiana	2,638	91	567	1,004	976	39	West Virginia	651	55	232		364
15	Nebraska	2,538	93	529	366	1,550	40	Connecticut	625		30	149	446
16	Iowa	1,941	99	943		899	41	Utah	619	29	250		340
17	South Dakota	1,916	66	311	902	637	42	New Hampshire	541	10	13	221	297
18	Washington	1,900	39	281		1,580	43	Virginia	517	95	228		194
19	Oklahoma	1,830	77	590		1,163	44	Louisiana	516	60	304		152
20	Florida	1,712	66	412		1,234	45	Maryland	344	24	156		164
21	Arkansas	1,541	75	501		965	46	Delaware	334	3	57		274
22	Oregon	1,510	36	240		1,234	47	Nevada	189	16	19		154
23	Georgia	1,380	152	537		691	48	Alaska	179	15	149		15
24	New Jersey	1,338	21	324	241	752	49	Rhode Island	129		8	31	90
25	Kentucky	1,322	118	417		787	50	Hawaii	21	3	1		17
	District of Columbia	2		1		1		United States	90,075	3,032	19,494	16,253	51,296

Note: Baltimore City is considered a county government for most local government purposes.

Source: U.S. Census Bureau, *2017 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	849,316	279,835	458,696	104,127
Municipalities	0	12	37	13
Townships	0	0	35	21
School Districts	0	0	15	6
Special Districts	1	3	43	24
Total	2	16	131	65

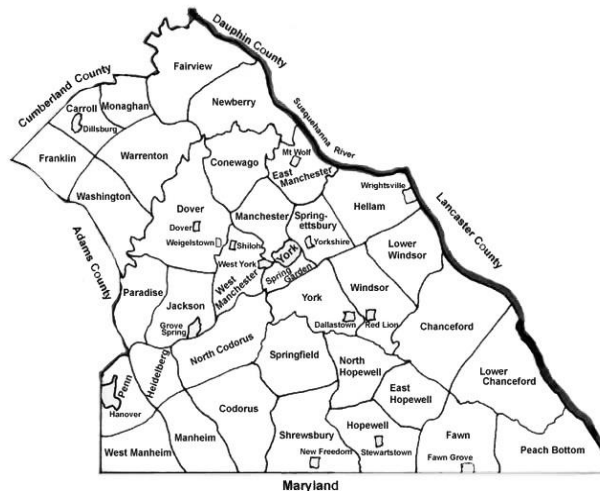
Source: July 2021 Population Estimates, Maryland Department of Planning; U.S. Census Bureau, 2017 Census of Government

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 60 having fewer than 1,000 residents, while only 9 have more than 25,000 residents (**Exhibit 1.5**). Frederick, with 79,588 residents, is the largest municipality in Maryland followed by Gaithersburg and Rockville in Montgomery County. Port Tobacco in Charles County, with 25 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>
25,000-80,000	9	5.8%
10,000-24,999	13	8.3%
5,000-9,999	21	13.5%
2,500-4,999	21	13.5%
1,000-2,499	32	20.5%
Less than 1,000	60	38.5%
Total	156	100.0%

Source: *July 2021 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 (255,261), municipal residents account for only 26.7% of the county population. Talbot County has the highest percentage of residents who reside within a municipality (53.3%). 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 2021

County	County Population	Municipal Population	Percent of County	Rank
Allegany	67,729	29,551	43.6%	4
Anne Arundel	590,336	40,805	6.9%	20
Baltimore City	576,498	0	0.0%	22
Baltimore	849,316	0	0.0%	22
Calvert	93,928	8,600	9.2%	18
Caroline	33,386	12,578	37.7%	7
Carroll	173,873	52,001	29.9%	10
Cecil	103,905	30,556	29.4%	11
Charles	168,698	14,348	8.5%	19
Dorchester	32,489	16,587	51.1%	2
Frederick	279,835	116,962	41.8%	6
Garrett	28,702	6,757	23.5%	14
Harford	262,977	42,477	16.2%	16
Howard	334,529	0	0.0%	22
Kent	19,270	8,140	42.2%	5
Montgomery	1,054,827	174,293	16.5%	15
Prince George's	955,306	255,261	26.7%	12
Queen Anne's	50,798	7,206	14.2%	17
St. Mary's	114,468	4,745	4.1%	21
Somerset	24,584	5,876	23.9%	13
Talbot	37,626	20,039	53.3%	1
Washington	154,937	56,933	36.7%	8
Wicomico	103,980	47,213	45.4%	3
Worcester	53,132	18,477	34.8%	9
Total	6,165,129	969,405	15.7%	

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, 164 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 and 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.

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 \$37.7 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 2021, expenditures at the county government level totaled \$36.1 billion, which accounted for 95.8% 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 65.6% of municipal expenditures in fiscal 2021. Municipalities do not fund local school systems and community colleges, which account for over 45% of local government expenditures. In fiscal 2021, expenditures at the municipal government level totaled \$1.6 billion, which accounted for only 4.2% of total local government expenditures. However, in five 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 8.1% of local government expenditures. In seven 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 2021

Category	Total Local Expenditures	Percent of Total	County Expenditures	Municipal Expenditures	Percent County	Percent Municipal
General Government	\$2,662,853,628	7.1%	\$2,417,857,950	\$244,995,678	90.8%	9.2%
Public Safety						
Police	2,230,662,298	5.9%	1,962,263,307	268,398,991	88.0%	12.0%
Fire	1,430,170,542	3.8%	1,367,888,347	62,282,195	95.6%	4.4%
Corrections	497,255,764	1.3%	497,255,764	-	100.0%	0.0%
Other	609,505,672	1.6%	560,147,402	49,358,270	91.9%	8.1%
Public Works						
Transportation	1,637,970,736	4.3%	1,426,987,781	210,982,956	87.1%	12.9%
Water/Sewer	2,996,444,298	8.0%	2,629,955,438	366,488,860	87.8%	12.2%
Other	93,209,639	0.2%	13,466,465	79,743,174	14.4%	85.6%
Education						
Public Schools	16,333,933,775	43.4%	16,333,933,775	-	100.0%	0.0%
Community Colleges	1,422,291,731	3.8%	1,422,291,731	-	100.0%	0.0%
Libraries	344,529,146	0.9%	344,529,146	-	100.0%	0.0%
Health/Social Services	1,900,135,395	5.0%	1,900,135,395	-	100.0%	0.0%
Parks and Recreation	876,474,439	2.3%	767,085,445	109,388,994	87.5%	12.5%
Community/Economic Dev.	1,320,188,539	3.5%	1,265,661,630	54,526,909	95.9%	4.1%
Miscellaneous	1,029,897,436	2.7%	976,315,139	53,582,297	94.8%	5.2%
Debt Service	2,273,797,859	6.0%	2,191,327,605	82,470,254	96.4%	3.6%
Total	\$37,659,320,899	100.0%	\$36,077,102,321	\$1,582,218,578	95.8%	4.2%

Source: *Local Government Finances Fiscal 2021*, Department of Legislative Services

Exhibit 1.9
Local Government Expenditures
Fiscal 2021
(\$ in Millions)

County	County	Municipal	Total	Percent County	Percent Municipal
Allegany	\$292.4	\$68.2	\$360.6	81.1%	18.9%
Anne Arundel	3,211.7	115.2	3,326.8	96.5%	3.5%
Baltimore City	4,548.1	0.0	4,548.1	100.0%	0.0%
Baltimore	4,253.8	0.0	4,253.8	100.0%	0.0%
Calvert	543.2	12.6	555.8	97.7%	2.3%
Caroline	183.0	17.3	200.4	91.3%	8.7%
Carroll	790.6	70.9	861.5	91.8%	8.2%
Cecil	462.5	48.1	510.6	90.6%	9.4%
Charles	916.5	21.8	938.3	97.7%	2.3%
Dorchester	157.0	24.5	181.4	86.5%	13.5%
Frederick	1,427.9	177.1	1,605.0	89.0%	11.0%
Garrett	164.9	7.3	172.2	95.8%	4.2%
Harford	1,237.3	65.4	1,302.6	95.0%	5.0%
Howard	2,241.5	0.0	2,241.5	100.0%	0.0%
Kent	88.0	9.4	97.4	90.3%	9.7%
Montgomery	7,521.6	251.2	7,772.8	96.8%	3.2%
Prince George's	5,533.5	233.0	5,766.5	96.0%	4.0%
Queen Anne's	260.5	9.9	270.4	96.3%	3.7%
St. Mary's	549.1	6.1	555.1	98.9%	1.1%
Somerset	109.8	5.5	115.3	95.2%	4.8%
Talbot	162.2	82.6	244.7	66.3%	33.7%
Washington	650.5	126.9	777.4	83.7%	16.3%
Wicomico	458.5	83.9	542.4	84.5%	15.5%
Worcester	313.0	145.5	458.5	68.3%	31.7%
Statewide	\$36,077.1	\$1,582.2	\$37,659.3	95.8%	4.2%

Source: *Local Government Finances Fiscal 2021*, Department of Legislative Services

Exhibit 1.10
County and Municipal Government Expenditures
Exclusive of Local Board Expenditures
Fiscal 2021
(\$ in Millions)

County	County	Municipal	Total	Percent County	Percent Municipal
Allegany	\$113.3	\$68.2	\$181.5	62.4%	37.6%
Anne Arundel	1,574.7	115.2	1,689.8	93.2%	6.8%
Baltimore City	2,897.2	0.0	2,897.2	100.0%	0.0%
Baltimore	2,083.9	0.0	2,083.9	100.0%	0.0%
Calvert	258.0	12.6	270.6	95.3%	4.7%
Caroline	46.6	17.3	64.0	72.9%	27.1%
Carroll	309.0	70.9	379.9	81.3%	18.7%
Cecil	170.9	48.1	219.1	78.0%	22.0%
Charles	388.2	21.8	410.0	94.7%	5.3%
Dorchester	60.4	24.5	84.9	71.2%	28.8%
Frederick	563.5	177.1	740.6	76.1%	23.9%
Garrett	78.7	7.3	86.0	91.6%	8.4%
Harford	529.1	65.4	594.5	89.0%	11.0%
Howard	1,011.2	0.0	1,011.2	100.0%	0.0%
Kent	46.1	9.4	55.5	83.0%	17.0%
Montgomery	3,988.7	251.2	4,239.9	94.1%	5.9%
Prince George's	2,817.6	233.0	3,050.6	92.4%	7.6%
Queen Anne's	132.3	9.9	142.2	93.0%	7.0%
St. Mary's	243.7	6.1	249.8	97.6%	2.4%
Somerset	46.6	5.5	52.1	89.5%	10.5%
Talbot	74.7	82.6	157.3	47.5%	52.5%
Washington	233.6	126.9	360.5	64.8%	35.2%
Wicomico	153.5	83.9	237.4	64.7%	35.3%
Worcester	158.6	145.5	304.1	52.2%	47.8%
Statewide	\$17,980.0	\$1,582.2	\$19,562.3	91.9%	8.1%

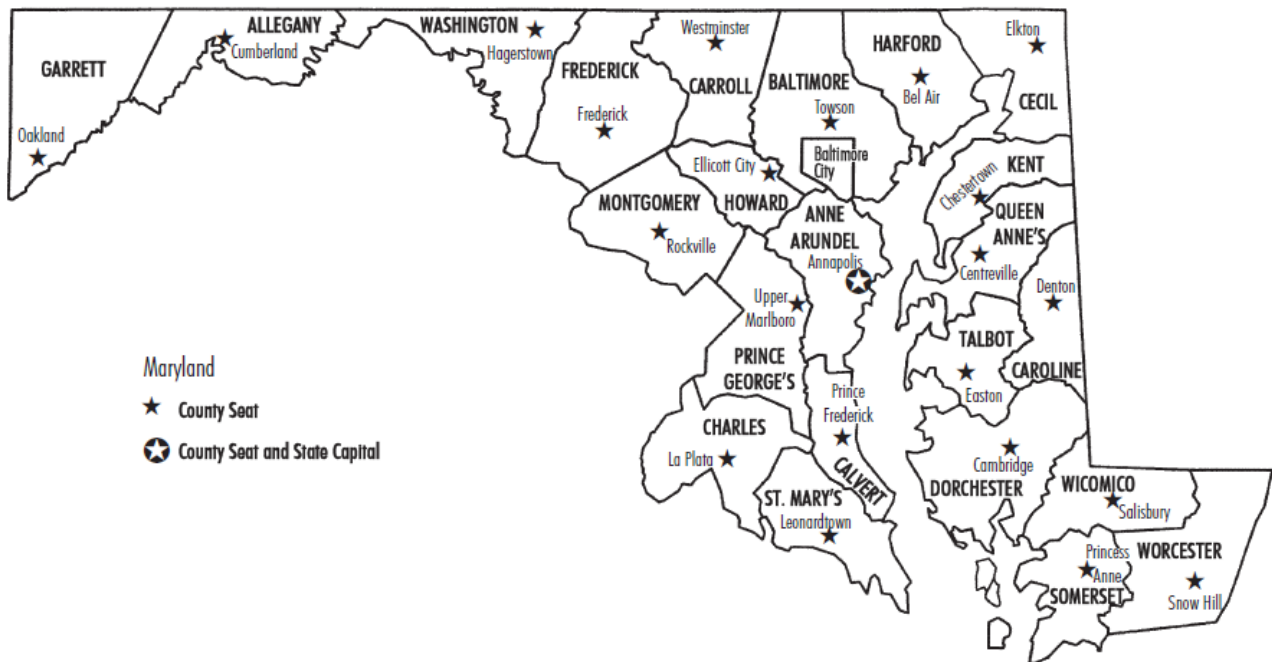
Source: *Local Government Finances Fiscal 2021*, Department of Legislative Services

Demographic Indicators

Land Area and Population

Maryland, consisting of 9,711 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 661 square miles. Baltimore City comprises 81 square miles. Maryland ranks as the nineteenth largest state in terms of population, with approximately 6.2 million people. Montgomery County has the State’s largest population with nearly 1.1 million residents, and Kent County has the lowest population with less than 20,000 residents. Baltimore City, although fifth 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

<u>County</u>	<u>Population July 2021</u>	<u>Land Area Square Miles</u>	<u>Population Density</u>	<u>Ranking by Population</u>		<u>Ranking by Density</u>			
Allegany	67,729	422.2	160.4	1.	Montgomery	1,054,827	1.	Baltimore City	7,122.0
Anne Arundel	590,336	414.8	1,423.1	2.	Prince George's	955,306	2.	Montgomery	2,139.1
Baltimore City	576,498	80.9	7,122.0	3.	Baltimore	849,316	3.	Prince George's	1,979.3
Baltimore	849,316	598.4	1,419.4	4.	Anne Arundel	590,336	4.	Anne Arundel	1,423.1
Calvert	93,928	213.2	440.6	5.	Baltimore City	576,498	5.	Baltimore	1,419.4
Caroline	33,386	319.4	104.5	6.	Howard	334,529	6.	Howard	1,333.1
Carroll	173,873	447.6	388.4	7.	Frederick	279,835	7.	Harford	601.6
Cecil	103,905	346.3	300.0	8.	Harford	262,977	8.	Calvert	440.6
Charles	168,698	457.8	368.5	9.	Carroll	173,873	9.	Frederick	423.6
Dorchester	32,489	540.8	60.1	10.	Charles	168,698	10.	Carroll	388.4
Frederick	279,835	660.6	423.6	11.	Washington	154,937	11.	Charles	368.5
Garrett	28,702	649.1	44.2	12.	St. Mary's	114,468	12.	Washington	338.5
Harford	262,977	437.1	601.6	13.	Wicomico	103,980	13.	St. Mary's	319.2
Howard	334,529	250.9	1,333.1	14.	Cecil	103,905	14.	Cecil	300.0
Kent	19,270	277.0	69.6	15.	Calvert	93,928	15.	Wicomico	277.7
Montgomery	1,054,827	493.1	2,139.1	16.	Allegany	67,729	16.	Allegany	160.4
Prince George's	955,306	482.6	1,979.3	17.	Worcester	53,132	17.	Talbot	140.1
Queen Anne's	50,798	371.7	136.7	18.	Queen Anne's	50,798	18.	Queen Anne's	136.7
St. Mary's	114,468	358.6	319.2	19.	Talbot	37,626	19.	Worcester	113.4
Somerset	24,584	319.7	76.9	20.	Caroline	33,386	20.	Caroline	104.5
Talbot	37,626	268.6	140.1	21.	Dorchester	32,489	21.	Somerset	76.9
Washington	154,937	457.8	338.5	22.	Garrett	28,702	22.	Kent	69.6
Wicomico	103,980	374.4	277.7	23.	Somerset	24,584	23.	Dorchester	60.1
Worcester	53,132	468.4	113.4	24.	Kent	19,270	24.	Garrett	44.2
Maryland	6,165,129	9,711.2	634.8						

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 51.0% of the State's population compared to 40.7% nationally as shown in **Exhibit 1.14**. African Americans are the largest racial minority in Maryland, comprising 30.2% of the State's population, whereas Hispanics account for 11.1%, followed by Asians at 6.8%. Montgomery County is one of the most affluent and diverse jurisdictions in Maryland with Hispanics, African Americans, and Asians each comprising more than 15% of the county's population. **Exhibit 1.15** shows the racial composition for each jurisdiction in Maryland.

Exhibit 1.13 States with Highest Minority Populations Percent of State Population

1.	Hawaii	78.6%	6.	Maryland	51.0%
2.	California	64.8%	7.	Georgia	49.0%
3.	New Mexico	64.1%	8.	Florida	47.3%
4.	Texas	59.7%	9.	Arizona	46.8%
5.	Nevada	53.4%	10.	New Jersey	46.5%
	District of Columbia	62.7%		National Average	40.7%

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

Exhibit 1.14 Maryland Racial Composition in 2021

	<u>Maryland</u>	<u>United States</u>
White	49.0%	59.3%
African American	30.2%	12.6%
Hispanic/Latino	11.1%	18.9%
Asian	6.8%	5.9%
American Indian	0.2%	0.7%
Native Hawaiian	0.0%	0.2%
Multiracial	2.6%	2.3%

Source: U.S. Census Bureau

Exhibit 1.15
Racial Composition in Maryland Counties
July 2021

County	White	African American	Hispanic/Latino	Asian	American Indian	Native Hawaiian	Multiracial
Allegany	86.1%	8.3%	2.1%	1.1%	0.2%	0.1%	2.2%
Anne Arundel	65.1%	18.2%	9.0%	4.4%	0.2%	0.1%	3.1%
Baltimore City	27.6%	61.3%	6.0%	2.7%	0.3%	0.0%	2.0%
Baltimore	54.2%	30.4%	6.2%	6.4%	0.3%	0.0%	2.5%
Calvert	76.4%	13.2%	4.8%	1.9%	0.4%	0.1%	3.2%
Caroline	74.8%	13.4%	8.1%	1.0%	0.3%	0.0%	2.4%
Carroll	87.3%	3.9%	4.3%	2.3%	0.2%	0.0%	2.0%
Cecil	83.7%	7.2%	4.9%	1.4%	0.3%	0.1%	2.4%
Charles	34.7%	50.7%	7.0%	3.3%	0.6%	0.1%	3.6%
Dorchester	62.1%	28.1%	6.2%	1.1%	0.3%	0.0%	2.1%
Frederick	69.3%	10.8%	11.3%	5.5%	0.2%	0.1%	2.9%
Garrett	96.0%	1.1%	1.3%	0.5%	0.2%	0.0%	0.9%
Harford	74.0%	14.8%	5.1%	3.1%	0.2%	0.1%	2.7%
Howard	48.6%	20.0%	7.6%	20.0%	0.2%	0.1%	3.4%
Kent	77.8%	13.8%	4.9%	1.3%	0.2%	0.0%	2.0%
Montgomery	42.2%	18.9%	20.1%	15.7%	0.2%	0.0%	2.9%
Prince George's	11.9%	61.3%	20.4%	4.2%	0.2%	0.0%	2.1%
Queen Anne's	85.8%	5.9%	4.6%	1.2%	0.3%	0.0%	2.1%
St. Mary's	73.0%	14.6%	5.7%	2.9%	0.4%	0.1%	3.3%
Somerset	51.6%	40.1%	4.1%	0.9%	0.4%	0.0%	2.8%
Talbot	77.2%	12.0%	7.4%	1.3%	0.2%	0.1%	1.7%
Washington	75.8%	12.5%	6.5%	1.9%	0.2%	0.1%	3.0%
Wicomico	61.2%	26.8%	5.8%	3.1%	0.2%	0.0%	2.8%
Worcester	80.2%	12.2%	3.9%	1.6%	0.3%	0.0%	1.8%
Maryland	49.0%	30.2%	11.1%	6.8%	0.2%	0.0%	2.6%
United States	59.3%	12.6%	18.9%	5.9%	0.7%	0.2%	2.3%

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

Since 2000, gains in the State's population are primarily the result of growth in its minority population. During this period, the State's minority population increased by 56.5%, while the White population decreased by 8.5%. The State's Hispanic population increased by 194.0% during this period, while the State's Asian and African American populations increased 93.3% and 25.8%, respectively. **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
July 2000 to July 2021

County	White	African American	Hispanic/Latino	Asian	American Indian	Native Hawaiian	Multiracial
Allegany	-15.8%	41.3%	137.6%	88.4%	-6.3%	38.7%	215.3%
Anne Arundel	-2.1%	61.7%	297.7%	123.0%	7.3%	64.1%	191.4%
Baltimore City	-21.1%	-15.3%	205.6%	54.4%	-22.7%	0.0%	89.4%
Baltimore	-17.1%	69.6%	274.0%	119.9%	23.8%	49.8%	192.2%
Calvert	15.1%	26.4%	282.9%	175.4%	56.1%	175.6%	259.3%
Caroline	3.9%	1.4%	239.7%	101.3%	14.0%	87.5%	192.3%
Carroll	5.3%	99.5%	358.2%	263.7%	15.2%	66.7%	296.2%
Cecil	8.6%	123.8%	261.3%	148.9%	19.7%	57.5%	244.3%
Charles	-28.3%	170.5%	318.8%	151.5%	10.1%	101.4%	194.5%
Dorchester	-3.8%	5.4%	421.6%	72.4%	16.7%	500.0%	169.8%
Frederick	11.9%	142.3%	554.6%	361.4%	55.4%	142.0%	256.5%
Garrett	-6.1%	96.4%	177.1%	166.0%	28.2%	n/a	189.4%
Harford	3.1%	92.4%	209.5%	141.1%	32.4%	52.7%	183.7%
Howard	-10.4%	85.6%	230.1%	242.4%	19.0%	91.1%	182.1%
Kent	-0.6%	-20.3%	88.1%	122.5%	-40.6%	66.7%	145.8%
Montgomery	-15.1%	48.9%	107.3%	63.7%	0.2%	21.2%	120.9%
Prince George's	-42.0%	16.2%	234.4%	24.9%	-2.2%	14.6%	70.6%
Queen Anne's	20.8%	-15.1%	383.4%	161.0%	37.3%	340.0%	243.5%
St. Mary's	20.0%	39.9%	260.4%	112.6%	45.3%	90.5%	209.4%
Somerset	-7.8%	-2.7%	187.4%	73.1%	-9.1%	n/a	204.4%
Talbot	5.6%	-12.5%	354.0%	71.0%	0.0%	2200.0%	189.0%
Washington	-0.2%	90.9%	501.4%	186.3%	25.5%	70.2%	290.2%
Wicomico	4.8%	40.7%	217.7%	112.3%	53.0%	-10.5%	282.2%
Worcester	13.1%	-16.7%	234.4%	185.4%	46.9%	30.8%	177.3%
Maryland	-8.5%	25.8%	194.0%	93.3%	8.2%	50.0%	152.2%

n/a: not applicable

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>2021</u>	<u>Change</u>	<u>% Change</u>	<u>Population Change</u>		<u>Percent Change</u>	
Allegany	5,606	9,437	3,831	68.3%	1. Montgomery	256,341	1. Frederick	269.0%
Anne Arundel	99,165	206,129	106,964	107.9%	2. Prince George's	234,199	2. Carroll	201.3%
Baltimore City	447,632	417,615	-30,017	-6.7%	3. Baltimore	188,815	3. Charles	177.7%
Baltimore	200,400	389,215	188,815	94.2%	4. Anne Arundel	106,964	4. Cecil	165.8%
Calvert	12,750	22,155	9,405	73.8%	5. Howard	103,759	5. Washington	161.3%
Caroline	5,744	8,425	2,681	46.7%	6. Charles	70,525	6. Howard	152.4%
Carroll	7,330	22,087	14,757	201.3%	7. Frederick	62,690	7. Garrett	138.6%
Cecil	6,367	16,926	10,559	165.8%	8. Harford	37,284	8. Harford	120.3%
Charles	39,690	110,215	70,525	177.7%	9. Washington	23,121	9. Anne Arundel	107.9%
Dorchester	9,589	12,300	2,711	28.3%	10. Wicomico	16,141	10. Baltimore	94.2%
Frederick	23,306	85,996	62,690	269.0%	11. Carroll	14,757	11. St. Mary's	82.9%
Garrett	479	1,143	664	138.6%	12. St. Mary's	14,022	12. Calvert	73.8%
Harford	30,986	68,270	37,284	120.3%	13. Cecil	10,559	13. Montgomery	72.6%
Howard	68,066	171,825	103,759	152.4%	14. Calvert	9,405	14. Allegany	68.3%
Kent	4,167	4,272	105	2.5%	15. Allegany	3,831	15. Wicomico	66.6%
Montgomery	353,169	609,510	256,341	72.6%	16. Dorchester	2,711	16. Queen Anne's	53.9%
Prince George's	607,892	842,091	234,199	38.5%	17. Caroline	2,681	17. Caroline	46.7%
Queen Anne's	4,684	7,209	2,525	53.9%	18. Queen Anne's	2,525	18. Prince George's	38.5%
St. Mary's	16,920	30,942	14,022	82.9%	19. Talbot	2,194	19. Talbot	34.4%
Somerset	10,946	11,887	941	8.6%	20. Worcester	1,367	20. Dorchester	28.3%
Talbot	6,377	8,571	2,194	34.4%	21. Somerset	941	21. Worcester	14.9%
Washington	14,332	37,453	23,121	161.3%	22. Garrett	664	22. Somerset	8.6%
Wicomico	24,222	40,363	16,141	66.6%	23. Kent	105	23. Kent	2.5%
Worcester	9,144	10,511	1,367	14.9%	24. Baltimore City	-30,017	24. Baltimore City	-6.7%
Maryland	2,008,963	3,144,547	1,135,584	56.5%				

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

Exhibit 1.18
Growth in Minority Share of Population by County

County	Percentage Point Change			Highest to Lowest Minority Share of Population		Highest to Lowest Percentage Point Change	
	2000	2021					
Allegany	7.5%	13.9%	6.4%	1. Prince George's	88.1%	1. Charles	32.6%
Anne Arundel	20.2%	34.9%	14.7%	2. Baltimore City	72.4%	2. Howard	24.1%
Baltimore City	69.0%	72.4%	3.5%	3. Charles	65.3%	3. Baltimore	19.3%
Baltimore	26.5%	45.8%	19.3%	4. Montgomery	57.8%	4. Frederick	18.9%
Calvert	17.0%	23.6%	6.6%	5. Howard	51.4%	5. Montgomery	17.5%
Caroline	19.3%	25.2%	5.9%	6. Somerset	48.4%	6. Anne Arundel	14.7%
Carroll	4.8%	12.7%	7.9%	7. Baltimore	45.8%	7. Washington	13.3%
Cecil	7.4%	16.3%	8.9%	8. Wicomico	38.8%	8. Prince George's	12.5%
Charles	32.7%	65.3%	32.6%	9. Dorchester	37.9%	9. Harford	11.9%
Dorchester	31.4%	37.9%	6.5%	10. Anne Arundel	34.9%	10. Wicomico	10.3%
Frederick	11.9%	30.7%	18.9%	11. Frederick	30.7%	11. Cecil	8.9%
Garrett	1.6%	4.0%	2.4%	12. St. Mary's	27.0%	12. Carroll	7.9%
Harford	14.1%	26.0%	11.9%	13. Harford	26.0%	13. St. Mary's	7.5%
Howard	27.3%	51.4%	24.1%	14. Caroline	25.2%	14. Calvert	6.6%
Kent	21.6%	22.2%	0.5%	15. Washington	24.2%	15. Dorchester	6.5%
Montgomery	40.2%	57.8%	17.5%	16. Calvert	23.6%	16. Allegany	6.4%
Prince George's	75.7%	88.1%	12.5%	17. Talbot	22.8%	17. Caroline	5.9%
Queen Anne's	11.5%	14.2%	2.7%	18. Kent	22.2%	18. Somerset	4.1%
St. Mary's	19.6%	27.0%	7.5%	19. Worcester	19.8%	19. Talbot	4.0%
Somerset	44.3%	48.4%	4.1%	20. Cecil	16.3%	20. Baltimore City	3.5%
Talbot	18.8%	22.8%	4.0%	21. Queen Anne's	14.2%	21. Queen Anne's	2.7%
Washington	10.9%	24.2%	13.3%	22. Allegany	13.9%	22. Garrett	2.4%
Wicomico	28.5%	38.8%	10.3%	23. Carroll	12.7%	23. Kent	0.5%
Worcester	19.5%	19.8%	0.3%	24. Garrett	4.0%	24. Worcester	0.3%
Maryland	37.8%	51.0%	13.2%				

Source: U.S. Census Bureau

Population Growth

Managing growth remains a key issue as Maryland's population continues to expand. From 2000 to 2021, the State's population increased by more than 850,000 people. This represents a 16.1% increase over the 21-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 17.6% 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 21 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 offset the sizable population decreases from internal migration within both jurisdictions. **Exhibit 1.19** shows the growth in population for all State jurisdictions 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 counties), 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. Frederick County led the State in population growth between 2000 and 2021 with a growth rate of 42.4%, followed by Charles County with a growth rate of 39.2%. Baltimore City and Allegany, Garrett, and Somerset counties 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	2021	Change	% Change	Highest to Lowest Change		Highest to Lowest Percent Change	
					<u>2000 to 2021</u>		<u>2000 to 2021</u>	
Allegany	74,804	67,729	-7,075	-9.5%	1. Montgomery	177,349	1. Frederick	42.4%
Anne Arundel	491,670	590,336	98,666	20.1%	2. Prince George's	152,195	2. Charles	39.2%
Baltimore City	649,086	576,498	-72,588	-11.2%	3. Anne Arundel	98,666	3. Howard	34.0%
Baltimore	755,598	849,316	93,718	12.4%	4. Baltimore	93,718	4. St. Mary's	32.3%
Calvert	75,118	93,928	18,810	25.0%	5. Howard	84,939	5. Calvert	25.0%
Caroline	29,773	33,386	3,613	12.1%	6. Frederick	83,272	6. Queen Anne's	24.6%
Carroll	151,454	173,873	22,419	14.8%	7. Charles	47,469	7. Wicomico	22.5%
Cecil	86,448	103,905	17,457	20.2%	8. Harford	43,180	8. Montgomery	20.2%
Charles	121,229	168,698	47,469	39.2%	9. St. Mary's	27,970	9. Cecil	20.2%
Dorchester	30,581	32,489	1,908	6.2%	10. Washington	22,886	10. Anne Arundel	20.1%
Frederick	196,563	279,835	83,272	42.4%	11. Carroll	22,419	11. Harford	19.6%
Garrett	29,838	28,702	-1,136	-3.8%	12. Wicomico	19,081	12. Prince George's	19.0%
Harford	219,797	262,977	43,180	19.6%	13. Calvert	18,810	13. Washington	17.3%
Howard	249,590	334,529	84,939	34.0%	14. Cecil	17,457	14. Carroll	14.8%
Kent	19,252	19,270	18	0.1%	15. Queen Anne's	10,035	15. Worcester	13.5%
Montgomery	877,478	1,054,827	177,349	20.2%	16. Worcester	6,304	16. Baltimore	12.4%
Prince George's	803,111	955,306	152,195	19.0%	17. Talbot	3,731	17. Caroline	12.1%
Queen Anne's	40,763	50,798	10,035	24.6%	18. Caroline	3,613	18. Talbot	11.0%
St. Mary's	86,498	114,468	27,970	32.3%	19. Dorchester	1,908	19. Dorchester	6.2%
Somerset	24,710	24,584	-126	-0.5%	20. Kent	18	20. Kent	0.1%
Talbot	33,895	37,626	3,731	11.0%	21. Somerset	-126	21. Somerset	-0.5%
Washington	132,051	154,937	22,886	17.3%	22. Garrett	-1,136	22. Garrett	-3.8%
Wicomico	84,899	103,980	19,081	22.5%	23. Allegany	-7,075	23. Allegany	-9.5%
Worcester	46,828	53,132	6,304	13.5%	24. Baltimore City	-72,588	24. Baltimore City	-11.2%
Maryland	5,311,034	6,165,129	854,095	16.1%				

Source: U.S. Census Bureau

Exhibit 1.20
Components of Maryland Population Change
2010-2021

County	Net Natural Increase¹	International Migration	Internal Migration²	Residual	Total
Allegany	-2,941	583	-2,769	-2	-5,129
Anne Arundel	27,058	8,613	9,548	-180	45,039
Baltimore City	18,716	18,194	-77,969	-386	-41,445
Baltimore	15,416	26,357	-25,780	-387	15,606
Calvert	2,146	615	2,431	-38	5,154
Caroline	554	586	-617	11	534
Carroll	680	694	1,535	-64	2,845
Cecil	1,736	655	79	-47	2,423
Charles	8,400	1,784	9,187	-78	19,293
Dorchester	-350	301	-789	-17	-855
Frederick	11,017	6,245	21,020	-262	38,020
Garrett	-607	63	-807	0	-1,351
Harford	5,897	2,600	5,053	-126	13,424
Howard	19,017	12,157	10,323	-108	41,389
Kent	-1,182	101	200	-12	-893
Montgomery	72,179	78,904	-81,332	30	69,781
Prince George's	64,725	52,855	-84,210	-495	32,875
Queen Anne's	594	473	3,153	-47	4,173
St. Mary's	6,323	1,527	1,603	-23	9,430
Somerset	-328	363	-1,050	21	-994
Talbot	-1,488	221	571	-38	-734
Washington	1,353	1,864	597	-44	3,770
Wicomico	2,697	3,356	-499	-31	5,523
Worcester	-2,610	449	3,806	-55	1,590
Total	249,002	219,560	-206,716	-2,378	259,468

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

² Internal 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>2020</u>	<u>2021</u>
Baltimore	52.7%	51.5%	49.1%	47.4%	46.1%	45.2%	45.2%
National Capital	32.4%	32.3%	34.2%	35.3%	35.9%	37.3%	37.1%
Southern Maryland	3.0%	4.0%	4.8%	5.3%	5.9%	6.1%	6.1%
Western Maryland	5.3%	5.2%	4.7%	4.5%	4.4%	4.1%	4.1%
Eastern Shore	6.6%	7.0%	7.2%	7.5%	7.8%	7.4%	7.4%

Source: U.S. Census Bureau

Exhibit 1.22
County Population by Region
1970-2021

	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2021</u>	<u>Average Annual Increase</u>
UNITED STATES	203,798,722	227,224,719	249,622,814	282,171,957	309,338,421	331,501,080	331,893,745	1.0%
MARYLAND	3,938,051	4,227,643	4,799,770	5,310,579	5,788,099	6,172,679	6,165,129	0.9%
BALTIMORE REGION	2,076,332	2,177,703	2,356,461	2,516,736	2,667,694	2,791,708	2,787,529	0.6%
Anne Arundel	299,825	372,415	428,877	491,394	539,234	588,769	590,336	1.3%
Baltimore	622,418	655,878	694,782	756,037	806,405	853,073	849,316	0.6%
Carroll	69,441	96,853	124,086	151,580	167,200	172,890	173,873	1.8%
Harford	116,349	146,394	183,717	219,472	245,224	261,122	262,977	1.6%
Howard	63,714	119,855	189,367	249,599	288,605	332,722	334,529	3.3%
Baltimore City	904,585	786,308	735,632	648,654	621,026	583,132	576,498	-0.9%
NATIONAL CAPITAL REGION	1,275,845	1,364,128	1,642,717	1,877,074	2,075,963	2,299,581	2,289,968	1.2%
Frederick	85,309	115,706	151,345	196,522	234,170	272,737	279,835	2.4%
Montgomery	524,400	582,053	760,296	877,363	976,140	1,061,243	1,054,827	1.4%
Prince George's	666,136	666,369	731,076	803,189	865,653	965,601	955,306	0.7%
SOUTHERN MARYLAND REGION	117,004	168,526	230,066	282,887	341,892	373,492	377,094	2.3%
Calvert	20,932	34,884	51,954	75,163	88,983	92,857	93,928	3.0%
Charles	48,232	73,466	101,751	121,203	147,145	166,682	168,698	2.5%
St. Mary's	47,840	60,176	76,361	86,521	105,764	113,953	114,468	1.7%
WESTERN MARYLAND REGION	209,509	220,143	225,141	236,729	252,831	251,294	251,368	0.4%
Allegany	83,983	80,584	74,954	74,804	74,977	67,947	67,729	-0.4%
Garrett	21,607	26,555	28,236	29,824	30,130	28,761	28,702	0.6%
Washington	103,919	113,004	121,951	132,101	147,724	154,586	154,937	0.8%
EASTERN SHORE REGION	259,361	297,143	345,385	397,153	449,719	456,604	459,170	1.1%
Caroline	19,893	23,205	27,125	29,828	33,056	33,290	33,386	1.0%
Cecil	53,519	60,590	71,866	86,464	101,172	103,740	103,905	1.3%
Dorchester	29,506	30,558	30,282	30,586	32,682	32,508	32,489	0.2%
Kent	16,247	16,707	17,869	19,266	20,206	19,142	19,270	0.3%
Queen Anne's	18,506	25,682	34,082	40,765	47,809	49,983	50,798	2.0%
Somerset	18,928	19,131	23,469	24,718	26,463	24,567	24,584	0.5%
Talbot	23,710	25,732	30,661	33,890	37,879	37,456	37,626	0.9%
Wicomico	54,534	64,646	74,743	84,864	98,959	103,473	103,980	1.3%
Worcester	24,518	30,892	35,288	46,772	51,493	52,445	53,132	1.5%

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 in 2020. 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.

In 2020, the median household income for Maryland jurisdictions ranged from \$51,485 in Baltimore City to \$124,042 in Howard County. Montgomery County had the second highest median income at \$115,394, and Calvert County had the third highest at \$111,665. Six counties (Allegany, Caroline, Dorchester, Garrett, Somerset, and Wicomico) 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 calendar 2000.

Exhibit 1.23 Median Household Income in the United States Calendar Year 2020

<u>Top 10 States</u>		<u>Bottom 10 States</u>	
1. Maryland	\$88,589	41. South Carolina	\$57,216
2. Massachusetts	87,288	42. Tennessee	56,962
3. New Jersey	87,095	43. Oklahoma	54,512
4. Hawaii	86,878	44. Kentucky	54,074
5. California	83,001	45. Alabama	53,958
6. New Hampshire	81,415	46. New Mexico	52,285
7. Washington	80,319	47. Louisiana	51,730
8. Alaska	79,961	48. Arkansas	51,146
9. Connecticut	79,723	49. West Virginia	49,202
10. Virginia	79,154	50. Mississippi	47,368
National Average	\$67,340	District of Columbia	\$91,957

Source: U.S. Census Bureau; Small Area Income and Poverty Estimates, December 2021

Exhibit 1.24
Median Household Income for Maryland Counties

County	CY 2000	Rank	CY 2010	Rank	CY 2020	Rank
Allegany	\$31,469	22	\$37,083	24	\$53,023	22
Anne Arundel	61,233	6	80,908	6	105,979	4
Baltimore City	29,460	24	38,186	22	51,485	24
Baltimore	48,733	13	62,300	12	79,974	13
Calvert	66,487	3	86,536	3	111,665	3
Caroline	38,603	19	55,480	16	60,617	18
Carroll	61,723	5	80,291	7	104,817	6
Cecil	50,628	12	61,506	13	84,248	12
Charles	61,137	7	83,078	4	102,681	7
Dorchester	33,944	20	39,630	21	54,846	21
Frederick	61,887	4	80,216	8	99,254	9
Garrett	33,203	21	43,637	20	56,929	20
Harford	59,083	8	71,848	10	102,537	8
Howard	77,495	1	100,992	1	124,042	1
Kent	40,411	16	49,017	18	64,437	15
Montgomery	74,652	2	88,559	2	115,394	2
Prince George's	54,176	11	69,524	11	85,246	11
Queen Anne's	57,890	9	78,503	9	93,427	10
St. Mary's	55,615	10	81,559	5	105,197	5
Somerset	29,618	23	38,134	23	51,787	23
Talbot	45,162	14	56,806	14	69,311	14
Washington	41,499	15	51,610	17	63,237	16
Wicomico	38,665	18	47,702	19	59,387	19
Worcester	40,323	17	55,492	15	62,481	17
Maryland	\$52,740		\$68,933		\$88,589	

CY: calendar year

Source: U.S. Census Bureau; Small Area Income and Poverty Estimates, December 2021

Exhibit 1.25
Income Growth – Median Household Income

County	CY 2000	CY 2020	Percent Change	Rank
Allegany	\$31,469	\$53,023	68.5%	8
Anne Arundel	61,233	105,979	73.1%	5
Baltimore City	29,460	51,485	74.8%	3
Baltimore	48,733	79,974	64.1%	12
Calvert	66,487	111,665	68.0%	10
Caroline	38,603	60,617	57.0%	19
Carroll	61,723	104,817	69.8%	7
Cecil	50,628	84,248	66.4%	11
Charles	61,137	102,681	68.0%	9
Dorchester	33,944	54,846	61.6%	13
Frederick	61,887	99,254	60.4%	15
Garrett	33,203	56,929	71.5%	6
Harford	59,083	102,537	73.5%	4
Howard	77,495	124,042	60.1%	16
Kent	40,411	64,437	59.5%	17
Montgomery	74,652	115,394	54.6%	21
Prince George's	54,176	85,246	57.4%	18
Queen Anne's	57,890	93,427	61.4%	14
St. Mary's	55,615	105,197	89.2%	1
Somerset	29,618	51,787	74.8%	2
Talbot	45,162	69,311	53.5%	23
Washington	41,499	63,237	52.4%	24
Wicomico	38,665	59,387	53.6%	22
Worcester	40,323	62,481	55.0%	20
Maryland	\$52,740	\$88,589	68.0%	

CY: calendar year

Source: U.S. Census Bureau; Small Area Income and Poverty Estimates, December 2021

Maryland has one of the lowest poverty rates in the nation, with 9.0% of people living in poverty in the State compared to 11.9% nationally, as shown in **Exhibit 1.26**. However, many areas across the State continue to be impacted by higher poverty levels. **Exhibit 1.27** shows the range in poverty rates for Maryland jurisdictions over a 20-year period. In calendar 2020, county poverty rates ranged from 5.2% in Anne Arundel and Carroll counties to 22.2% in Somerset County.

Exhibit 1.26
Percentage of People in Poverty in the United States
Calendar Year 2020

<u>States with Lowest Poverty Rates</u>		<u>States with Highest Poverty Rates</u>	
1. New Hampshire	7.0%	41. South Carolina	13.8%
2. Utah	7.3%	42. Georgia	14.0%
3. Minnesota	8.3%	43. Oklahoma	14.3%
4. Hawaii	8.9%	44. Kentucky	14.9%
5. Colorado	9.0%	45. Alabama	14.9%
6. Maryland	9.0%	46. Arkansas	15.2%
7. Nebraska	9.2%	47. West Virginia	15.8%
8. Virginia	9.2%	48. New Mexico	16.8%
9. Wyoming	9.2%	49. Louisiana	17.8%
10. Massachusetts	9.4%	50. Mississippi	18.7%
National Average	11.9%	District of Columbia	15.0%

Source: U.S. Census Bureau, Small Area Income and Poverty Estimates, December 2021

Exhibit 1.27
Poverty Rates for Maryland Counties

County	CY 2000	Rank	CY 2010	Rank	CY 2020	Rank
Allegany	13.8%	22	17.1%	22	14.7%	21
Anne Arundel	5.2%	6	6.6%	6	5.2%	1
Baltimore City	19.1%	23	24.7%	24	20.0%	23
Baltimore	6.7%	10	8.2%	11	8.9%	12
Calvert	5.1%	4	6.2%	4	5.3%	3
Caroline	10.4%	18	13.0%	17	12.4%	18
Carroll	4.3%	2	5.4%	2	5.2%	1
Cecil	7.1%	11	10.5%	14	8.8%	11
Charles	6.1%	9	6.2%	4	7.4%	10
Dorchester	13.4%	21	16.2%	20	14.9%	22
Frederick	4.7%	3	5.6%	3	6.2%	5
Garrett	13.3%	20	15.1%	19	12.8%	19
Harford	5.2%	6	6.9%	7	6.2%	5
Howard	3.8%	1	5.2%	1	5.5%	4
Kent	10.3%	17	14.2%	18	12.0%	16
Montgomery	5.1%	4	7.5%	9	6.7%	7
Prince George's	7.4%	12	9.4%	12	9.5%	13
Queen Anne's	6.0%	8	7.3%	8	6.9%	8
St. Mary's	7.4%	12	7.5%	9	7.3%	9
Somerset	20.8%	24	19.3%	23	22.2%	24
Talbot	8.1%	14	9.7%	13	9.6%	14
Washington	8.9%	15	11.4%	16	12.3%	17
Wicomico	11.6%	19	16.6%	21	14.2%	20
Worcester	9.3%	16	10.6%	15	11.7%	15
Maryland	7.9%		9.9%		9.0%	

CY: calendar year

Source: U.S. Census Bureau; Small Area Income and Poverty Estimates, December 2021

Employment

The private sector accounts for over 80% of employment in Maryland with the government sector accounting for 18.8%. The reliance on government employment ranges from 9.9% in Howard County to 46.1% 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 3.8% 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 5.9% of total employment in the State. Nearly one-third of federal positions are located in Montgomery County with an additional 19.4% 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 2021

County	Private Sector	Government Sector	<i>Government Sector</i>		
			Federal	State	Local
Allegany	78.1%	21.9%	1.9%	9.4%	10.6%
Anne Arundel	82.2%	17.8%	5.4%	4.6%	7.9%
Baltimore City	79.0%	21.0%	3.3%	10.7%	7.0%
Baltimore	85.2%	14.8%	3.8%	3.3%	7.7%
Calvert	79.9%	20.1%	0.8%	1.5%	17.8%
Caroline	82.2%	17.8%	0.7%	2.1%	15.0%
Carroll	85.8%	14.2%	0.6%	2.1%	11.5%
Cecil	81.2%	18.8%	6.6%	1.4%	10.8%
Charles	74.8%	25.2%	6.8%	1.3%	17.1%
Dorchester	81.9%	18.1%	1.5%	6.6%	10.0%
Frederick	84.3%	15.7%	3.8%	1.1%	10.7%
Garrett	86.4%	13.6%	0.6%	2.2%	10.9%
Harford	78.1%	21.9%	12.4%	0.6%	8.8%
Howard	90.1%	9.9%	0.4%	1.1%	8.4%
Kent	86.3%	13.7%	0.8%	3.3%	9.6%
Montgomery	79.4%	20.6%	11.2%	0.3%	9.1%
Prince George's	70.7%	29.3%	9.8%	6.4%	13.1%
Queen Anne's	83.3%	16.7%	0.8%	1.5%	14.4%
St. Mary's	67.2%	32.8%	22.5%	2.2%	8.1%
Somerset	53.9%	46.1%	0.8%	29.7%	15.6%
Talbot	88.5%	11.5%	1.2%	1.4%	8.9%
Washington	87.1%	12.9%	0.7%	2.9%	9.3%
Wicomico	82.3%	17.7%	0.7%	5.9%	11.2%
Worcester	86.6%	13.4%	0.8%	0.6%	12.0%
Maryland	81.2%	18.8%	5.9%	3.8%	9.1%

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

Exhibit 1.29
County Share of Total Employment by Sector
Calendar Year 2021

County	State Population	Private Sector	Government Sector	Government Sector		
				Federal	State	Local
Allegany	1.1%	1.0%	1.2%	0.3%	2.6%	1.2%
Anne Arundel	9.6%	10.2%	9.5%	9.1%	12.1%	8.7%
Baltimore City	9.4%	12.6%	14.4%	7.2%	36.5%	9.9%
Baltimore	13.8%	14.6%	10.9%	8.9%	12.2%	11.7%
Calvert	1.5%	0.8%	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%	1.6%	0.2%	1.2%	2.7%
Cecil	1.7%	1.4%	1.4%	1.5%	0.5%	1.6%
Charles	2.7%	1.4%	2.0%	1.8%	0.5%	2.9%
Dorchester	0.5%	0.5%	0.4%	0.1%	0.8%	0.5%
Frederick	4.5%	4.0%	3.2%	2.5%	1.2%	4.6%
Garrett	0.5%	0.5%	0.3%	0.0%	0.3%	0.5%
Harford	4.3%	3.4%	4.1%	7.4%	0.6%	3.4%
Howard	5.4%	7.0%	3.4%	0.5%	1.8%	5.9%
Kent	0.3%	0.3%	0.2%	0.0%	0.2%	0.3%
Montgomery	17.1%	16.9%	18.9%	32.8%	1.3%	17.3%
Prince George's	15.5%	10.2%	18.3%	19.4%	19.6%	16.9%
Queen Anne's	0.8%	0.6%	0.5%	0.1%	0.2%	0.9%
St. Mary's	1.9%	1.5%	3.2%	6.9%	1.0%	1.6%
Somerset	0.4%	0.2%	0.6%	0.0%	1.9%	0.4%
Talbot	0.6%	0.7%	0.4%	0.1%	0.2%	0.6%
Washington	2.5%	2.6%	1.6%	0.3%	1.8%	2.4%
Wicomico	1.7%	1.7%	1.6%	0.2%	2.7%	2.1%
Worcester	0.9%	1.0%	0.7%	0.1%	0.2%	1.2%
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

Worthy of its nickname “America in Miniature,” 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. 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 biking, boating, fishing, golf, hiking, and skiing, 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 <https://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 62,000 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, transportation, 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 approximately 4,000 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 tallest building in Anne Arundel County, the hotel houses 50,000 square feet of total event space, the largest of which measures over 16,000 square feet, with guest seating capacity for 4,000 individuals.

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 <https://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." While technically a municipality, Baltimore City has been considered on par with county jurisdictions since the adoption of the Maryland Constitution of 1851 and is generally classified as a county under State law.

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. The redevelopment of Port Covington continues and will 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 the 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 2,300 slot machines and 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 <https://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. Those seeking alternative options for recreation may seek to attend a concert of the Baltimore Symphony Orchestra at Oregon Ridge or enjoy a pint at the Guinness Open Gate Brewery, the first Guinness brewery on American soil in over 60 years.

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 continues to develop a strategically significant intermodal global logistics hub on the site of a former steel mill 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.

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 <https://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 <https://www.calvertcountymd.gov/>.

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 three parks in the town of Federalsburg and three industrial areas in the town of Denton. Further, a shovel-ready technology specialty park is located in Ridgely.

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, 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 <https://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 reservoir 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 featuring a 263-seat theater, art classrooms, and art galleries. 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. Penguin Random House and Northrop Grumman 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 <https://www.carrollcountymd.gov/>.

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 Chesapeake and Delaware 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. A new state park, Bohemia River, opened to the public in 2022. 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 as many as 800 slot machines and table games, as well as off-track and sportsbook gambling opportunities.

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 <https://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 18 residents according to the 2020 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 300 miles of shoreline along the Patuxent and Potomac Rivers, 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 <https://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.

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 refuge is also home to 165 species of threatened and endangered plants as well as the largest natural population of rare Delmarva fox squirrels. 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 <https://dorchestercountymd.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. 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 continues to develop its 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. Life sciences is the county's largest growing industrial cluster, with recent projects including a 279,000 square foot biologics manufacturing facility owned by Kite Pharma, a 75,400 square foot tech hub owned by VaLogic, and Ellume's first U.S. manufacturing plant.

Since 2014, the county has operated under a charter home rule form of government. Frederick County is governed by an elected executive and a seven-member council. Frederick County's official website is found at <https://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, 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. The trade, transportation, and professional and business services industries have grown and represent some of the largest industries in the county by employment. 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 <https://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 <https://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. Originally built as the home for the National Symphony Orchestra, Merriweather was the venue for many notable events in music history including the earliest known recorded instance of Jimi Hendrix playing the Star-Spangled Banner.

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://www.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 Sassafras 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 and the first college to be chartered following the Revolutionary War.

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. Besides its agriculture and maritime industries, continued investment in

open-access fiber broadband availability has helped the county encourage growth in diverse businesses such as datacenters, call centers, cyber security, telemedicine, training, and education centers.

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 <https://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, which unveiled a 200,000 square foot, \$1.3 billion research complex in 2021, and United Therapeutics, which is in the process of expanding its current campus by 65,000 square feet. Several 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 9-member council. Effective December 5, 2022, the County Council will expand to 11 members. Montgomery County's official website is found at <https://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 Commanders, 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 31,000 undergraduate and 10,000 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 spring 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 and an MGM Resorts destination casino featuring 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 <https://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, the quaint Town of Stevensville, and, expected in fall 2022, a 120-room Hyatt hotel with a conference center. 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, particularly in industrial and consumer production, 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 <https://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 before the capital was transferred to Annapolis in 1695. 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 <https://www.stmarysmd.com/>.

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. Founded in 2009, The Smith Island Baking Company has continued the legacy of producing the famous cake, helping Maryland share this sweet piece of its history with the nation and the world.

The county has a commission government and is governed by five county commissioners. The official website for Somerset County is found at <https://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 <https://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. Significant recent announcements include a \$70 million renovation and expansion to the IKO Northeast, Inc. facility, a \$35 million investment at the Conagra Brands facility, and a \$33 million expansion of the Volvo Group facility. 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 <https://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 among 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 <https://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. Ocean Downs Racetrack is another noteworthy destination in Worcester County. Throughout the summer, patrons can watch and place bets on live harness racing, and throughout the year, the racetrack simulcasts both thoroughbred and standardbred races. Additionally, the Casino at Ocean Downs has over 850 slot machines and 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 <https://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. County and Municipal Profiles” 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 ⁴	Charter Home Rule	Yes	County Council	4	7	11
Prince George's	Charter Home Rule	Yes	County Council	2	9	11
Queen Anne's ^{2,3}	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.

² In 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.

³ In Queen Anne's County, the board member elected at-large holds the position of board president for the first year of the term and following the first year of the term the president is elected annually by the board members.

⁴ In accordance with a county charter amendment approved by the voters on November 3, 2020, and effective for the 2022 election, the county council expanded to include two new members from two new council 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 and Baltimore City 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 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 officer or county 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 *McCrary 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.

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

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.
- 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 Maryland Constitution authorizes code counties to enact public local laws. “Public local law” is defined 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. State and Local Government Relationships,” 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
Calvert			Chesapeake City	1849	Ch. 271
Chesapeake Beach	1886	Ch. 203	Elkton	1821	Ch. 143
North Beach	1910	Ch. 395	North East	1849	Ch. 339
Caroline			Perryville	1882	Ch. 212
Denton	1802	Ch. 25	Port Deposit	1824	Ch. 33
Federalsburg	1823	Ch. 174	Rising Sun	1860	Ch. 383
Goldsboro	1906	Ch. 87			
Greensboro	1826	Ch. 97	Charles		
Henderson	1949	Ch. 498	Indian Head	1920	Ch. 590
Hillsboro	1853	Ch. 161	La Plata	1888	Ch. 325
Marydel	1929	Ch. 38	Port Tobacco	1888	Ch. 297
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	1894	Ch. 91	Chevy Chase View	1993	Referendum
(also in Carroll)			Chevy Chase Village	1910	Ch. 382
Myersville	1904	Ch. 94	Gaithersburg	1878	Ch. 397
New Market	1878	Ch. 90	Garrett Park	1898	Ch. 453
Rosemont	1953	Ch. 262	Glen Echo	1904	Ch. 436
Thurmont	1894	Ch. 16	Kensington	1894	Ch. 621
Walkersville	1892	Ch. 351	Laytonsville	1892	Ch. 497
Woodsboro	1836	Ch. 299	Martin's Additions	1985	Referendum
Garrett			North Chevy Chase	1996	Referendum
Accident	1916	Ch. 514	Poolesville	1867	Ch. 174
Deer Park	1884	Ch. 519	Rockville	1860	Ch. 373
Friendsville	1902	Ch. 477	Somerset	1906	Ch. 795
Grantsville	1864	Ch. 99	Takoma Park	1890	Ch. 480
Kitzmilller	1906	Ch. 285	Washington Grove	1937	Ch. 372
Loch Lynn Heights	1896	Ch. 450			
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	1953	Ch. 17
Cottage City	1924	Ch. 390	(also in Queen Anne's)		
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 that 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 Section 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 63% 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 19% have commissions and approximately 18% 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 three 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, 111 municipalities have full-time, professional managers or administrators, and 9 municipalities have part-time, circuit-rider administrators. In the remaining 38 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, Section 4-108 of the Local Government Article requires municipalities to allow no-excuse absentee voting in municipal elections. 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, Section 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 or Blight 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 Section 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 or blight 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, 72 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 Section 5-215 of the Local Government Article.

Exhibit 4.3 lists the municipalities that have been granted urban renewal powers for slum or blight 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 or Blight Clearance

<u>Municipality</u>	<u>Year</u>	<u>Chapter</u>	<u>Municipality</u>	<u>Year</u>	<u>Chapter</u>
Aberdeen	1963	Ch. 72	Frostburg	1961	Ch. 843
Annapolis	1961	Ch. 755		1963	Ch. 152 *
	1976	Ch. 843 *		1965	Ch. 40 *
Bel Air	1963	Ch. 70	Galena	1976	Ch. 410
Berlin	1963	Ch. 101	Galestown	2007	Ch. 216
Betterton	1976	Ch. 81	Glenarden	1963	Ch. 776
	1996	Ch. 40 **	Goldsboro	2002	Ch. 12
Bladensburg	1998	Ch. 86	Greensboro	2002	Ch. 13
Boonsboro	2005	Ch. 73	Hagerstown	1961	Ch. 830
Bowie	1965	Ch. 904	Hancock	2022	Ch. 600
Brookview	2007	Ch. 215	Havre de Grace	1963	Ch. 71
Cambridge	1961	Ch. 618	Henderson	2002	Ch. 11
	1968	Ch. 194 *	Hillsboro	2002	Ch. 183
	1969	Ch. 358 *	Hurlock	2007	Ch. 279
Capitol Heights	1965	Ch. 903	Hyattsville	1963	Ch. 783
	2002	Ch. 234 **		1968	Ch. 415 *
Centreville	1963	Ch. 348	Landover Hills	2002	Ch. 74
Charlestown	2002	Ch. 147	Laurel	1963	Ch. 775
Chestertown	1975	Ch. 380	Leonardtwn	1963	Ch. 593
Cheverly	1996	Ch. 631	Marydel	2002	Ch. 10
College Park	1963	Ch. 777	Millington	1976	Ch. 80
Colmar Manor	1966	Ch. 624	Morningside	1969	Ch. 729
Cottage City	2002	Ch. 75	Mount Rainier	1963	Ch. 781
Crisfield	1963	Ch. 615	North Beach	1978	Ch. 709
Cumberland	1961	Ch. 758	Ocean City	1963	Ch. 103
Denton	1975	Ch. 494	Oxford	1977	Ch. 28
	1976	Ch. 641 *	Perryville	1978	Ch. 166
District Heights	1999	Ch. 413	Pocomoke City	1963	Ch. 102
Easton	1961	Ch. 844		1969	Ch. 328 *
	1977	Ch. 29 *	Port Deposit	1961	Ch. 760
Eldorado	2007	Ch. 278	Preston	2002	Ch. 181
Elkton	1961	Ch. 762	Princess Anne	1963	Ch. 614
Fairmount Heights	1965	Ch. 895	Queen Anne	1977	Ch. 25
Federalsburg	1975	Ch. 495	Ridgely	2002	Ch. 182
	1976	Ch. 640 *	Riverdale Park	1968	Ch. 646
Frederick	1961	Ch. 632	Rock Hall	1976	Ch. 79

<u>Municipality</u>	<u>Year</u>	<u>Chapter</u>	<u>Municipality</u>	<u>Year</u>	<u>Chapter</u>
Rockville	1961	Ch. 826	Snow Hill	1963	Ch. 172
	1963	Ch. 646 *	Sudlersville	2004	Ch. 400
	1967	Ch. 700 *	Takoma Park	1961	Ch. 827
	1975	Ch. 241 *		1963	Ch. 653 *
St. Michaels	1977	Ch. 27	Taneytown	1996	Ch. 36
	1986	Ch. 582 **	Trappe	1977	Ch. 26
Salisbury	1961	Ch. 842	Westernport	1963	Ch. 147
Seat Pleasant	1968	Ch. 336	Westminster	1961	Ch. 342
	1969	Ch. 280 *	Williamsport	2022	Ch. 599

*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 Section 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 after 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 (Sections 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 2,498 bills introduced during the 2022 session, approximately 13% dealt with one or more counties or municipalities. These figures do not include a combined 594 legislative bond initiatives 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 2020 census, each legislative district of the State, represented by one senator and three delegates, includes approximately 131,000 citizens. Eighteen 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 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 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 2019 through 2022 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 or lease of county property; authorization to issue bonds for certain projects, salaries, benefits, hiring practices, and duties for county officers and employees; alteration of districts for county commissioners; hunting; disposition of certain fees, county procurement and contract management; and local business licensing requirements. 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.

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

Baltimore City 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. County Governments," 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].

Article XI-F 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. Municipal Government." 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 2022 session, the General Assembly has granted authority under the Urban Renewal Amendment to 72 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 2021, local governments in Maryland collected and received \$40.0 billion in revenues. The counties and Baltimore City accounted for 95.7% of local revenues, while municipalities generated 4.3% of local revenues. **Exhibit 6.1** shows the amount of local revenues in fiscal 2021 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 2021 Revenues</u>	<u>Percent of Total</u>
County Level	\$38,257.5	95.7%
Municipal Level	1,734.6	4.3%
Total	\$39,992.2	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 2021
(\$ in Millions)

County	County	Municipal	Total	Percent County	Percent Municipal
Allegany	\$318.8	\$73.9	\$392.7	81.2%	18.8%
Anne Arundel	3,476.2	120.7	3,597.0	96.6%	3.4%
Baltimore City	4,677.8	0.0	4,677.8	100.0%	0.0%
Baltimore	4,509.9	0.0	4,509.9	100.0%	0.0%
Calvert	574.8	16.0	590.8	97.3%	2.7%
Caroline	186.4	19.6	205.9	90.5%	9.5%
Carroll	829.8	91.2	921.0	90.1%	9.9%
Cecil	484.8	56.1	540.8	89.6%	10.4%
Charles	978.3	21.1	999.3	97.9%	2.1%
Dorchester	162.2	27.4	189.5	85.6%	14.4%
Frederick	1,531.4	202.9	1,734.2	88.3%	11.7%
Garrett	189.5	7.6	197.1	96.2%	3.8%
Harford	1,339.7	78.5	1,418.2	94.5%	5.5%
Howard	2,436.3	0.0	2,436.3	100.0%	0.0%
Kent	89.3	9.5	98.8	90.4%	9.6%
Montgomery	7,952.9	265.4	8,218.3	96.8%	3.2%
Prince George's	5,828.1	235.6	6,063.6	96.1%	3.9%
Queen Anne's	296.0	10.3	306.3	96.6%	3.4%
St. Mary's	585.6	7.9	593.5	98.7%	1.3%
Somerset	116.7	5.1	121.8	95.8%	4.2%
Talbot	178.9	99.3	278.2	64.3%	35.7%
Washington	717.9	138.0	855.9	83.9%	16.1%
Wicomico	470.9	82.3	553.2	85.1%	14.9%
Worcester	325.4	166.4	491.9	66.2%	33.8%
Statewide	\$38,257.5	\$1,734.6	\$39,992.2	95.7%	4.3%

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 passed 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 that 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 \$38.3 billion in revenues in fiscal 2021. 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 63.8% of county revenues, and intergovernmental revenues account for 36.2%. **Exhibit 6.3** illustrates the sources of revenues for county governments and Baltimore City and provides a comparison of revenues for fiscal 2011 and 2021. **Exhibit 6.4** shows the sources of revenues for each county and Baltimore City for fiscal 2021.

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

	FY 2011		FY 2021	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Property Taxes	\$7,132.9	27.8%	\$9,182.8	25.4%
Income Taxes	3,874.1	15.1%	6,893.2	19.0%
Other Local Taxes	1,352.6	5.3%	2,046.5	5.7%
Service Charges	2,884.2	11.2%	3,895.0	10.8%
Other	1,076.0	4.2%	1,221.3	3.4%
State Aid	6,854.6	26.7%	9,443.1	26.1%
Federal Grants	2,517.0	9.8%	3,536.6	9.8%
<i>Subtotal</i>	<i>\$25,691.4</i>	<i>100.0%</i>	<i>\$36,218.6</i>	<i>100.0%</i>
Debt Proceeds	\$2,011.9		\$2,038.9	
Total	\$27,703.3		\$38,257.5	

Source: Department of Legislative Services

Exhibit 6.4
County Revenues by Source
Fiscal 2021

County	Property Taxes	Income Taxes	Other Taxes	Service Charges	Federal Grants	State Grants	Other
Allegany	15.3%	10.4%	1.5%	7.0%	15.0%	46.0%	4.7%
Anne Arundel	26.8%	22.3%	7.0%	11.1%	6.9%	22.5%	3.5%
Baltimore City	21.6%	9.2%	5.8%	14.5%	11.1%	33.4%	4.3%
Baltimore	24.9%	22.6%	4.5%	10.5%	10.6%	24.7%	2.2%
Calvert	36.2%	20.2%	2.8%	6.6%	7.9%	23.5%	2.8%
Caroline	15.0%	11.9%	2.2%	2.5%	10.1%	55.6%	2.7%
Carroll	27.9%	24.5%	3.3%	4.3%	9.6%	27.1%	3.4%
Cecil	26.0%	16.8%	2.3%	6.3%	11.1%	34.3%	3.4%
Charles	27.6%	17.1%	5.3%	10.2%	8.1%	29.1%	2.6%
Dorchester	19.8%	11.1%	3.4%	4.8%	12.5%	46.5%	1.9%
Frederick	23.3%	19.0%	4.7%	14.2%	9.9%	26.2%	2.6%
Garrett	30.3%	8.7%	9.3%	6.1%	15.3%	26.3%	3.9%
Harford	26.3%	22.7%	4.1%	6.7%	10.0%	25.6%	4.7%
Howard	32.0%	25.2%	6.5%	7.3%	6.2%	19.5%	3.5%
Kent	36.4%	18.6%	4.2%	3.9%	10.3%	25.0%	1.6%
Montgomery	26.2%	24.3%	6.5%	12.2%	10.0%	17.4%	3.3%
Prince George's	24.3%	13.5%	6.8%	11.6%	9.3%	30.7%	3.8%
Queen Anne's	26.6%	24.2%	5.6%	8.5%	7.8%	23.5%	3.9%
St. Mary's	21.0%	23.2%	4.6%	8.5%	11.8%	28.9%	1.9%
Somerset	16.4%	7.7%	0.9%	6.4%	17.9%	48.9%	1.8%
Talbot	25.6%	19.8%	12.5%	7.9%	10.4%	21.2%	2.7%
Washington	19.0%	16.9%	2.9%	5.9%	14.5%	36.7%	4.1%
Wicomico	14.6%	13.1%	1.6%	6.7%	13.2%	48.7%	2.1%
Worcester	45.1%	11.0%	6.8%	8.0%	8.7%	18.1%	2.4%
Statewide	25.4%	19.0%	5.7%	10.8%	9.8%	26.1%	3.4%

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 \$23.1 billion in fiscal 2021, 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, approximately 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 33.1% of its revenue from local sources and 48.9% from the State. In comparison, Howard County, one of the most affluent counties in the State, receives 74.2% of its revenue from local sources and 19.5% from the State.

Over the last 10 years, from fiscal 2011 through 2021, local own-source revenues for counties increased at an average annual rate of 3.6%, which is higher than the 3.3% rate of growth for State aid. Statewide, property tax revenues increased at an average annual rate of 2.6%, while income tax revenues increased at an average annual rate of 5.9%.

Property Taxes

The property tax is the primary local revenue source for many county governments, accounting for 25.4% of total local revenues in fiscal 2021, excluding debt proceeds. The reliance on property tax revenues ranged from 14.6% in Wicomico County to 45.1% 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 2022 at \$325,808, which was 234.2% of the statewide average. Somerset County had the second lowest per capita assessable base at \$61,574, or 44.3% of the statewide average. Due to its larger tax base, Worcester County is able to collect almost four 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 19.0% of total local revenues in fiscal 2021, excluding debt proceeds. The reliance on income tax revenues ranged from 7.7% in Somerset County to 25.2% in Howard 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 \$31,937 in tax year 2020. Montgomery County had the largest per capita net taxable income at \$47,951, followed by Howard County at \$45,568, and Talbot County at \$36,783. Somerset County had the lowest at \$10,624.

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 2011 through 2021, these taxes remained relatively constant as a share of county revenues, accounting for 5.3% of county revenues in fiscal 2011 and 5.7% in fiscal 2021. From fiscal 2011 to 2021, other local taxes increased at an average annual rate of 4.2% compared to 3.3% 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 decreased over the last 10 years, accounting for 11.2% of county revenue in fiscal 2011 and 10.8% in fiscal 2021. Sewer and water charges account for most of the service charges. From fiscal 2011 to 2021, service charges increased at an average annual rate of 3.1%.

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 3.4% of county revenues. In fiscal 2011 through 2021, these revenue sources increased at an average annual rate of 1.3%.

State Grants

State aid was the largest revenue source for Baltimore City and 11 county governments in Maryland in fiscal 2021. From fiscal 2011 to 2021, State aid to county governments increased at an average annual rate of 3.3%, which is less than the 3.6% growth rate for local own-source revenues.

State aid includes assistance to county governments, local school systems, libraries, community colleges, and local health departments. In fiscal 2021, 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, disparity grants, and gaming impact aid. Community colleges, libraries, and local health departments accounted for the remaining 6%. 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.

Federal Grants

Federal grants account for a small percentage of local government revenues, representing 9.8% of county revenues in fiscal 2021. The reliance on federal grants ranged from 6.2% in Howard County to 17.9% in Somerset County. Traditionally, 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. During fiscal 2021, in response to the COVID-19 emergency, local governments received additional federal funds through the American Rescue Plan.

Municipal Revenues in Maryland

Municipalities in Maryland, excluding Baltimore City, collected \$1.7 billion in revenues in fiscal 2021. From fiscal 2011 to 2021, 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 2011 and 2021. **Exhibit 6.6** shows the sources of revenues for municipalities in each county for fiscal 2021.

Exhibit 6.5
Sources of Revenue – Municipalities
Selected Fiscal Years
(\$ in Millions)

	FY 2011		FY 2021	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Property Taxes	\$518.2	37.8%	\$614.4	35.9%
Income Taxes	92.5	6.8%	152.0	8.9%
Other Local Taxes	15.4	1.1%	29.0	1.7%
Service Charges	419.7	30.6%	504.9	29.5%
Other	148.4	10.8%	152.6	8.9%
State Aid	63.2	4.6%	110.0	6.4%
Federal Grants	54.5	4.0%	67.0	3.9%
County Grants	57.7	4.2%	82.2	4.8%
Subtotal	\$1,369.6	100.0%	\$1,712.3	100.0%
Debt Proceeds	\$57.3		\$22.4	
Total	\$1,426.9		\$1,734.6	

Source: Department of Legislative Services

Property Taxes

Property taxes are the largest revenue source for municipalities overall, accounting for 35.9% of total revenues. The dependence on property taxes ranges from 8.8% for the municipality in St. Mary's County to 55.8% 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, Somerset, Talbot, and Washington), service charges generate a larger share of municipal revenue than the property tax.

Income Taxes

Income taxes account for 8.9% of total municipal revenues. The reliance on income taxes ranges from 1.7% for municipalities in Worcester County to 19.6% for municipalities in Montgomery County.

Exhibit 6.6
Municipal Revenues by Source
Fiscal 2021

County	Property Taxes	Income Taxes	Other Taxes	Service Charges	Federal Grants	State Grants	County Sources	Other
Allegany	25.8%	5.0%	0.1%	43.8%	8.5%	10.9%	1.1%	4.9%
Anne Arundel	48.3%	7.4%	2.3%	23.5%	4.6%	3.9%	4.8%	5.2%
Calvert	27.5%	9.1%	14.8%	36.4%	0.0%	7.0%	1.7%	3.6%
Caroline	35.9%	6.0%	0.2%	31.3%	0.3%	20.7%	0.2%	5.4%
Carroll	23.4%	9.7%	0.2%	30.9%	3.9%	18.7%	6.6%	6.7%
Cecil	29.8%	5.9%	0.4%	44.1%	0.2%	7.4%	5.5%	6.7%
Charles	30.3%	12.8%	3.1%	41.6%	1.9%	4.6%	0.5%	5.1%
Dorchester	35.0%	4.4%	0.4%	41.5%	1.8%	9.1%	3.0%	4.8%
Frederick	35.3%	7.9%	1.7%	29.3%	5.9%	4.8%	2.4%	12.7%
Garrett	26.7%	6.4%	2.8%	32.9%	6.6%	12.4%	6.4%	5.7%
Harford	37.5%	8.9%	0.5%	32.1%	0.1%	5.7%	6.9%	8.3%
Kent	32.9%	7.6%	0.6%	35.1%	1.2%	14.0%	1.8%	6.8%
Montgomery	36.6%	19.6%	4.6%	16.4%	2.6%	4.7%	5.0%	10.5%
Prince George's	55.8%	12.6%	0.2%	5.7%	3.2%	7.0%	4.2%	11.3%
Queen Anne's	34.3%	10.1%	0.0%	39.0%	0.0%	5.4%	2.1%	9.0%
St. Mary's	8.8%	11.6%	0.0%	31.9%	0.0%	3.6%	0.7%	43.5%
Somerset	27.8%	2.3%	1.2%	38.4%	7.4%	14.4%	4.0%	4.6%
Talbot	17.1%	2.7%	0.3%	67.0%	3.3%	2.2%	1.2%	6.2%
Washington	25.1%	3.7%	2.1%	47.9%	4.4%	3.8%	0.7%	12.2%
Wicomico	41.5%	4.6%	1.1%	32.6%	1.9%	10.2%	1.3%	6.8%
Worcester	32.1%	1.7%	1.0%	31.1%	7.8%	3.5%	17.0%	5.7%
Statewide	35.9%	8.9%	1.7%	29.5%	3.9%	6.4%	4.8%	8.9%

Source: Department of Legislative Services

Service Charges

Service charges are the second largest revenue source for municipalities overall, accounting for 29.5% 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 5.7% for municipalities in Prince George's County to 67.0% 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 6.4% of revenues. The reliance on State aid varies across the State, ranging from below 3% of total revenues for municipalities in Talbot County to over 20% for municipalities in Caroline County.

County Grants

County grants accounted for 4.8% of total municipal revenues. Reliance on county grants is highest in Carroll, Garrett, Harford, 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.

Chapter 7. Property Tax

The property tax is one of the three major revenue sources for county and municipal governments in Maryland. In fiscal 2021, local property tax collections totaled \$9.8 billion, representing 25.4% of county revenues and 35.9% 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 39.7% of county own-source revenues in fiscal 2021 and 42.3% of municipal own-source revenues.

Due to the triennial assessment process and the homestead assessments caps, the property tax remains a relatively stable and predictable revenue source for local governments. From fiscal 2011 to 2021, property tax collections at the county level increased at an average annual rate of 2.6%, while municipal property tax collections increased at an average annual rate of 1.7%. More recently, local property tax collections have experienced a modest upturn, with county property tax revenues increasing at an average annual rate of 3.8% since fiscal 2017 which mirrors the recent growth in property assessments.

Over the last 20 years, property assessments in Maryland have experienced both substantial growth and declines. Property assessments increased significantly between fiscal 2000 and 2008. The average statewide three-year increase in the full cash value of property undergoing reassessment totaled 5.7% in 2000, increasing to 60.2% in 2006, and totaling 33.2% in 2008. 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 2010 realized a decrease of 16.1% with annual declines occurring through the 2013 reassessments. Beginning in 2014, property assessments began to increase once again, averaging approximately 9% over the next nine years. The upturn in property assessments has simultaneously resulted in an increase in the property tax base. From fiscal 2019 through 2022, the county assessable base has increased by approximately 3% each year and is estimated to increase by 2.9% in fiscal 2023, as shown in **Exhibit 7.1**. **Exhibit 7.2** shows the amount of property tax revenues collected in each county for fiscal 2021. **Exhibit 7.3** shows the growth in county assessable base since fiscal 2014.

Exhibit 7.1 County Assessable Base Growth

<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
3.1%	3.5%	3.0%	3.1%	2.9%

Source: State Department of Assessments and Taxation

Exhibit 7.2
Property Tax Revenues
Fiscal 2021

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$46,062,067	\$18,408,976	\$64,471,043	\$949	23
Anne Arundel	831,183,019	58,294,663	889,477,682	1,511	12
Baltimore City	965,207,470	0	965,207,470	1,655	7
Baltimore	1,058,190,760	0	1,058,190,760	1,240	18
Calvert	202,148,005	4,382,268	206,530,273	2,224	2
Caroline	27,846,587	6,923,070	34,769,657	1,044	20
Carroll	224,354,859	21,260,517	245,615,376	1,421	14
Cecil	125,784,698	16,574,355	142,359,053	1,372	16
Charles	257,879,511	6,067,174	263,946,685	1,584	9
Dorchester	32,093,914	9,471,114	41,565,028	1,279	17
Frederick	354,442,028	71,542,276	425,984,304	1,562	11
Garrett	57,486,493	2,021,202	59,507,695	2,069	4
Harford	336,792,719	29,295,490	366,088,209	1,402	15
Howard	734,092,244	0	734,092,244	2,206	3
Kent	32,281,508	3,118,321	35,399,829	1,849	6
Montgomery	1,961,354,084	96,718,532	2,058,072,616	1,939	5
Prince George's	1,330,968,463	127,139,513	1,458,107,976	1,510	13
Queen Anne's	74,769,217	3,519,876	78,289,093	1,566	10
St. Mary's	115,718,458	691,366	116,409,824	1,022	21
Somerset	18,955,871	1,426,404	20,382,275	830	24
Talbot	45,726,005	15,786,627	61,512,632	1,642	8
Washington	133,794,463	34,575,984	168,370,447	1,089	19
Wicomico	68,940,310	34,033,795	102,974,105	995	22
Worcester	146,756,683	53,186,434	199,943,117	3,812	1
Total	\$9,182,829,436	\$614,437,957	\$9,797,267,393	\$1,587	

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

Exhibit 7.3
Growth in County Assessable Base – Real and Personal Property
Fiscal 2014-2023 Est.

County	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 Est.
Allegany	-1.3%	-0.5%	-0.4%	0.2%	0.4%	0.7%	0.7%	1.5%	1.6%	2.6%
Anne Arundel	0.1%	1.8%	3.0%	4.4%	3.7%	3.9%	4.4%	3.5%	2.5%	2.2%
Baltimore City	-1.5%	3.8%	5.3%	7.0%	1.9%	3.5%	2.5%	1.5%	2.2%	1.1%
Baltimore	-2.8%	-0.6%	2.0%	2.9%	3.4%	3.1%	3.3%	2.9%	3.1%	2.7%
Calvert	-2.2%	-0.4%	0.5%	2.0%	1.8%	-4.1%	2.2%	2.4%	2.7%	3.0%
Caroline	-5.7%	-1.4%	-0.4%	-0.2%	0.4%	1.8%	0.7%	3.4%	3.7%	3.6%
Carroll	-1.4%	-0.6%	1.1%	2.0%	2.4%	2.7%	2.9%	2.9%	3.4%	3.2%
Cecil	-3.1%	0.1%	0.5%	0.6%	2.2%	4.3%	4.1%	3.8%	2.3%	0.6%
Charles	-1.9%	-0.4%	1.3%	3.8%	2.1%	3.0%	4.2%	3.0%	4.9%	5.4%
Dorchester	-4.4%	-3.0%	-0.2%	-0.2%	0.0%	0.0%	1.9%	2.3%	3.5%	3.7%
Frederick	-0.6%	1.6%	3.5%	4.3%	4.2%	5.1%	4.8%	5.4%	5.7%	4.9%
Garrett	-0.3%	-7.5%	0.9%	0.9%	1.0%	-0.4%	1.9%	1.6%	2.5%	2.8%
Harford	-0.8%	0.6%	1.2%	2.3%	2.6%	2.2%	2.6%	2.7%	2.5%	1.0%
Howard	0.6%	2.5%	4.5%	4.0%	4.2%	3.2%	3.7%	3.1%	3.5%	3.3%
Kent	-1.5%	-2.1%	-0.1%	-0.2%	0.3%	0.7%	1.1%	0.7%	1.8%	1.4%
Montgomery	0.9%	2.5%	4.2%	4.0%	3.6%	2.5%	2.5%	2.0%	2.2%	2.2%
Prince George's	-3.9%	0.6%	3.7%	6.7%	6.8%	5.4%	5.9%	4.7%	5.2%	4.7%
Queen Anne's	-4.1%	-0.6%	0.2%	2.2%	2.2%	3.1%	3.1%	3.1%	2.5%	2.6%
St. Mary's	-1.1%	0.3%	0.8%	1.0%	1.7%	0.9%	2.2%	2.5%	3.2%	3.0%
Somerset	0.0%	-3.5%	1.1%	-0.8%	-0.2%	4.0%	0.3%	2.1%	2.8%	1.8%
Talbot	-5.1%	-3.5%	-1.5%	0.3%	-0.2%	0.3%	1.4%	1.7%	1.7%	1.9%
Washington	-3.1%	-0.7%	1.0%	1.6%	1.4%	1.3%	3.6%	2.2%	2.9%	3.0%
Wicomico	-5.4%	-3.6%	0.5%	0.4%	2.3%	2.5%	4.0%	3.3%	3.4%	4.7%
Worcester	-5.9%	0.1%	-0.1%	2.2%	2.5%	2.0%	2.8%	3.0%	1.7%	2.9%
Statewide	-1.3%	1.1%	2.9%	3.9%	3.5%	3.1%	3.5%	3.0%	3.1%	2.9%

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 2022, as well as the assessable base on a per capita basis and assessable base growth from fiscal 2021 to 2022. **Exhibit 7.5** provides the real and personal property assessable base for fiscal 2022 and the changes from the prior year.

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 2022

County	Population July 1, 2020	Assessable Base (\$ in Thousands)	Per Capita Amount	Ranking	Growth from Prior Year	Ranking
Allegany	70,057	\$4,072,073	\$58,125	24	1.6%	24
Anne Arundel	582,777	99,775,835	171,208	6	2.5%	17
Baltimore City	586,131	45,336,981	77,350	21	2.2%	20
Baltimore	826,017	95,728,989	115,892	16	3.1%	10
Calvert	93,072	13,177,828	141,587	9	2.7%	13
Caroline	33,492	2,865,881	85,569	20	3.7%	4
Carroll	169,092	21,932,977	129,710	11	3.4%	7
Cecil	103,419	11,510,848	111,303	17	2.3%	18
Charles	164,436	20,331,663	123,645	12	4.9%	3
Dorchester	31,853	3,108,809	97,599	18	3.5%	6
Frederick	265,161	36,065,132	136,012	10	5.7%	1
Garrett	28,852	4,849,384	168,078	7	2.5%	15
Harford	256,805	31,397,558	122,262	14	2.5%	14
Howard	328,200	58,711,782	178,890	4	3.5%	5
Kent	19,192	3,079,256	160,445	8	1.8%	21
Montgomery	1,051,816	207,704,372	197,472	3	2.2%	19
Prince George's	909,612	111,403,678	122,474	13	5.2%	2
Queen Anne's	51,167	8,991,590	175,730	5	2.5%	16
St. Mary's	114,687	13,658,522	119,094	15	3.2%	9
Somerset	25,453	1,567,243	61,574	23	2.8%	12
Talbot	36,972	8,844,249	239,215	2	1.7%	23
Washington	151,146	14,146,500	93,595	19	2.9%	11
Wicomico	103,990	7,151,196	68,768	22	3.4%	8
Worcester	52,403	17,073,334	325,808	1	1.7%	22
Statewide	6,055,802	\$842,485,680	\$139,120		3.1%	

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

Exhibit 7.5
County Assessable Base for Fiscal 2022 and Percent Change from Fiscal 2021
(\$ in Thousands)

County	Subject to Real Property	Percent Change	Subject to Personal Property	Percent Change	Total Property	Percent Change
Allegany	\$3,687,125	1.2%	\$384,948	5.4%	\$4,072,073	1.6%
Anne Arundel	96,871,703	2.4%	2,904,132	4.2%	99,775,835	2.5%
Baltimore City	42,716,654	1.7%	2,620,327	10.8%	45,336,981	2.2%
Baltimore	91,892,912	2.9%	3,836,077	8.0%	95,728,989	3.1%
Calvert	12,866,766	2.7%	311,062	1.9%	13,177,828	2.7%
Caroline	2,784,293	3.5%	81,588	8.9%	2,865,881	3.7%
Carroll	21,241,629	3.2%	691,348	10.7%	21,932,977	3.4%
Cecil	11,000,518	3.2%	510,330	-14.2%	11,510,848	2.3%
Charles	19,700,999	4.6%	630,664	15.2%	20,331,663	4.9%
Dorchester	2,941,518	3.0%	167,291	14.3%	3,108,809	3.5%
Frederick	35,619,951	5.7%	445,181	2.0%	36,065,132	5.7%
Garrett	4,605,121	2.8%	244,263	-3.2%	4,849,384	2.5%
Harford	29,902,747	2.4%	1,494,811	6.4%	31,397,558	2.5%
Howard	56,905,088	3.5%	1,806,694	3.3%	58,711,782	3.5%
Kent	3,022,948	1.6%	56,308	10.9%	3,079,256	1.8%
Montgomery	203,404,070	2.2%	4,300,302	2.5%	207,704,372	2.2%
Prince George's	107,935,280	5.2%	3,468,398	4.2%	111,403,678	5.2%
Queen Anne's	8,867,105	2.4%	124,485	11.6%	8,991,590	2.5%
St. Mary's	13,337,427	3.2%	321,095	2.5%	13,658,522	3.2%
Somerset	1,394,474	1.6%	172,769	13.4%	1,567,243	2.8%
Talbot	8,765,297	1.6%	78,952	8.0%	8,844,249	1.7%
Washington	13,508,078	2.8%	638,422	4.2%	14,146,500	2.9%
Wicomico	6,746,287	3.3%	404,909	5.5%	7,151,196	3.4%
Worcester	16,627,702	1.6%	445,632	6.4%	17,073,334	1.7%
Statewide	\$816,345,691	3.0%	\$26,139,988	5.2%	\$842,485,679	3.1%

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, statute required that assessments be based on a physical inspection; however, 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 department must 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 department 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 assessor determines the “full cash 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.

In any year of a three-year cycle, real property must be revalued if any of the following factors causes a change in the value of the real property: (1) the zoning classification is changed at the initiative of the owner or anyone having an interest in the property; (2) a change in use or character occurs; (3) substantially completed improvements are made that add at least \$100,000 in value to the property; (4) an error in calculation or measurement of the real property caused the value to be erroneous; (5) a residential use assessment is terminated; or (6) a subdivision occurs.

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*.

Personal Property

Subject to numerous exemptions, tangible business personal property located in Maryland is subject to local personal property tax in most counties. However, Caroline, Dorchester, Frederick, Kent, Queen Anne’s, and Talbot counties do not tax personal property. In addition, Garrett County does not impose personal property taxes on business personal property but does tax personal property of non-utility generators used to generate electricity. 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 2019 through 2023. **Exhibit 7.7** shows the special county property tax rates in Charles, Howard, Montgomery, and Prince George's counties in fiscal 2023.

Exhibit 7.6
County Real Property Tax Rates in Fiscal 2019-2023
(Per \$100 of Assessed Value)

County	2019	2020	2021	2022	2023
Allegany	\$0.9750	\$0.9750	\$0.9750	\$0.9750	\$0.9750
Anne Arundel	0.9020	0.9350	0.9340	0.9330	0.9330
Baltimore City	2.2480	2.2480	2.2480	2.2480	2.2480
Baltimore	1.1000	1.1000	1.1000	1.1000	1.1000
Calvert	0.9370	0.9370	0.9320	0.9270	0.9270
Caroline	0.9800	0.9800	0.9800	0.9800	0.9800
Carroll	1.0180	1.0180	1.0180	1.0180	1.0180
Cecil	1.0414	1.0414	1.0414	1.0279	1.0143
Charles	1.2050	1.2050	1.2050	1.2050	1.2050
Dorchester	1.0000	1.0000	1.0000	1.0000	1.0000
Frederick	1.0600	1.0600	1.0600	1.0600	1.0600
Garrett	0.9899	1.0560	1.0560	1.0560	1.0560
Harford	1.0420	1.0420	1.0420	1.0279	0.9779
Howard	1.1900	1.2500	1.2500	1.2500	1.2500
Kent	1.0220	1.0220	1.0220	1.0120	1.0120
Montgomery	0.9927	0.9907	0.9912	0.9905	0.9915
Prince George's	1.3740	1.3740	1.3740	1.3740	1.3740
Queen Anne's	0.8471	0.8471	0.8471	0.8471	0.8300
St. Mary's	0.8478	0.8478	0.8478	0.8478	0.8478
Somerset	1.0000	1.0000	1.0000	1.0000	1.0000
Talbot	0.6061	0.6372	0.6372	0.6565	0.6820
Washington	0.9480	0.9480	0.9480	0.9480	0.9280
Wicomico	0.9398	0.9346	0.9286	0.9195	0.9070
Worcester	0.8350	0.8450	0.8450	0.8450	0.8450

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 2023

	<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	81.1%
Fire District Tax	0.236	18.9%
Total Rate	\$1.250	100.0%
Montgomery County		
General Tax	\$0.6940	70.0%
Transit Tax	0.0832	8.4%
Fire District Tax	0.1074	10.8%
M-NCPPC	0.0810	8.2%
Recreation Tax	0.0259	2.6%
Storm Drainage Tax	0.0000	0.0%
Total Rate	\$0.9915	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

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 2023 estimates, a 1-cent increase in the real property tax rate in Montgomery County generates an additional \$20.8 million in revenue, whereas it generates only \$10.4 million in Prince George's County. 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 third 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.

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 2021, 18 counties provided property tax setoffs 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 2021, municipal tax differentials and rebates totaled approximately \$114.7 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, 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.

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, a real property tax rate that exceeds the real property tax rate approved for the previous year may only be adopted if approved by all members of the county council. 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 Wicomico County, the total annual increase in property tax revenues is limited to the lesser of 2% or the increase in Consumer Price Index. In Talbot County, the total annual increase in property tax revenues is limited to 2%. However, in fiscal 2022 through 2026, the property tax rate set by the county council can exceed the charter limit by one cent.

Counties may exceed the charter limitations on local property taxes for the purpose of funding the approved budget of the local boards 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. This authority was adopted at the 2012 regular session to ensure that counties have the fiscal ability to meet education maintenance of effort requirements.

In fiscal 2013, Talbot County became the first jurisdiction to exercise this new authority by establishing a \$0.026 supplemental property tax rate for the local board of education. In fiscal 2016, Prince George's County became the second county to exercise this authority by enacting a \$0.04 supplemental property tax rate to fund its schools. Talbot County also exceeded its charter limit by establishing a supplemental property tax rate for public schools in fiscal 2017 through 2020, 2022, and 2023. Montgomery County exceeded its charter limit through a unanimous vote by the county council in 2017. In fiscal 2020, Anne Arundel County exceeded its charter limit enacting a supplemental tax rate of \$0.034 for the county 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.

Baltimore City and county governments must set or alter the homestead property tax credit percentage in a taxable year by March 15 and then notify the State Department of Assessments and Taxation of any changes. Municipalities must do the same by March 25. The department is authorized to recalculate the constant yield tax rate by April 15 if a county or municipality changes the homestead tax credit percentage. In addition, assessment notices must 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, 2022, if all of a person's personal property statewide had a total original cost of less than \$20,000, 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 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 if the sum total of the personal property had a total original cost of less than \$20,000; and
- intangible property.

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

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*.

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 2022, 21 of the 24 local jurisdictions had assessment caps below 10% as illustrated in **Exhibit 7.8**. In addition, a majority of the State's municipalities had assessment caps below 10% for fiscal 2022.

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 2020	FY 2021	FY 2022
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	3%	2%	1%
Queen Anne's	5%	5%	5%
St. Mary's	3%	3%	3%
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.

Local governments are authorized to provide for an installment payment schedule for county, municipal, or special taxing district real property taxes. Local governments may not authorize an installment payment schedule for property taxes imposed on real property that is subject to a deed of trust, a mortgage, or any other encumbrance that includes the escrowing of property taxes. If authorized by a local government, a taxpayer may choose whether to pay property taxes through an installment payment schedule.

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 19.0% of county revenues and 8.9% 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*.)

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 2.25% but not more than 3.2%. Currently, 11 jurisdictions (Baltimore City and Baltimore, Caroline, Dorchester, Howard, Kent, Montgomery, Prince George's, Queen Anne's, Somerset, and Wicomico counties) impose the maximum local income tax rate. Beginning in calendar 2023, counties are authorized to impose the local income tax on a bracket basis. Local income tax rates have remained relatively stable, with 10 jurisdictions (Allegany, Anne Arundel, Baltimore, Cecil, Dorchester, Frederick, Kent, St. Mary's, Washington, and Worcester counties) changing the tax rate in the past five years. Of those 10 jurisdictions, Anne Arundel and Frederick counties elected to impose the tax on a bracket basis. **Exhibit 8.1** shows the local income tax rates for calendar 2019 through 2023.

Exhibit 8.1
Local Income Tax Rates
Calendar 2019-2023

County	2019	2020	2021	2022	2023
Allegany	3.05%	3.05%	3.05%	3.05%	3.03%
Anne Arundel	2.50%	2.81%	2.81%	2.81%	2.70% / 2.81% ¹
Baltimore City	3.20%	3.20%	3.20%	3.20%	3.20%
Baltimore	2.83%	3.20%	3.20%	3.20%	3.20%
Calvert	3.00%	3.00%	3.00%	3.00%	3.00%
Caroline	3.20%	3.20%	3.20%	3.20%	3.20%
Carroll	3.03%	3.03%	3.03%	3.03%	3.03%
Cecil	3.00%	3.00%	3.00%	3.00%	2.80%
Charles	3.03%	3.03%	3.03%	3.03%	3.03%
Dorchester	2.62%	3.20%	3.20%	3.20%	3.20%
Frederick	2.96%	2.96%	2.96%	2.96%	2.75% / 2.96% ²
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%	3.20%	3.20%	3.20%	3.20%
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%	3.17%	3.17%	3.10%	3.00%
Somerset	3.20%	3.20%	3.20%	3.20%	3.20%
Talbot	2.40%	2.40%	2.40%	2.40%	2.40%
Washington	2.80%	3.20%	3.20%	3.00%	2.95%
Wicomico	3.20%	3.20%	3.20%	3.20%	3.20%
Worcester	1.75%	2.25%	2.25%	2.25%	2.25%

¹ The local income tax rate in Anne Arundel County is 2.70% of taxable income ≤ \$50,000 and 2.81% of taxable income greater than \$50,000.

² The local income tax rate in Frederick County is 2.75% of taxable income ≤ \$50,000 for single filers and ≤ \$100,000 for all other taxpayer classifications. Taxable income that exceeds \$100,000 (or \$50,000 for single filers) is taxed at a rate of 2.96%.

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 2021.

Legal Reference

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

Exhibit 8.2
Income Tax Revenues
Fiscal 2021

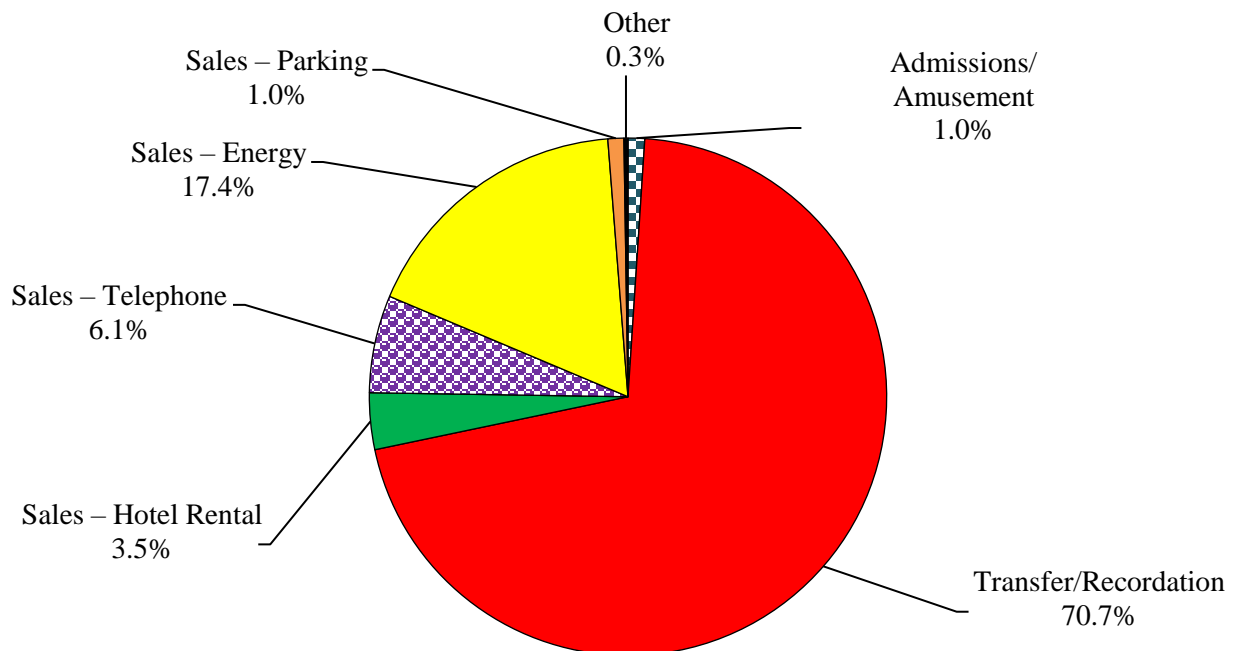
County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$31,190,781	\$3,561,698	\$34,752,479	\$511	23
Anne Arundel	693,300,152	8,945,070	702,245,222	1,193	5
Baltimore City	410,711,792	0	410,711,792	704	18
Baltimore	960,694,264	0	960,694,264	1,126	9
Calvert	113,173,230	1,447,935	114,621,165	1,234	4
Caroline	22,188,455	1,150,629	23,339,084	701	19
Carroll	197,239,588	8,838,124	206,077,712	1,192	6
Cecil	81,290,908	3,250,699	84,541,607	815	14
Charles	159,808,519	2,554,441	162,362,960	974	12
Dorchester	18,016,164	1,192,487	19,208,651	591	22
Frederick	289,489,750	16,039,841	305,529,591	1,120	10
Garrett	16,581,761	485,769	17,067,530	593	21
Harford	290,415,199	6,929,524	297,344,723	1,139	7
Howard	577,098,631	0	577,098,631	1,734	2
Kent	16,448,232	722,137	17,170,369	897	13
Montgomery	1,820,178,820	51,857,387	1,872,036,207	1,764	1
Prince George's	738,348,907	28,793,370	767,142,277	794	16
Queen Anne's	67,985,531	1,041,626	69,027,157	1,381	3
St. Mary's	127,908,783	910,194	128,818,977	1,130	8
Somerset	8,925,870	118,532	9,044,402	368	24
Talbot	35,503,912	2,526,332	38,030,244	1,015	11
Washington	119,254,813	5,157,247	124,412,060	805	15
Wicomico	61,649,684	3,740,658	65,390,342	632	20
Worcester	35,824,894	2,785,090	38,609,984	736	17
Total	\$6,893,228,640	\$152,048,790	\$7,045,277,430	\$1,141	

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

Chapter 9. Other Local Taxes

Other local taxes, which account for 5.7% of county revenues and 1.7% 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 2011 to 2021.

Exhibit 9.1
Other Local Taxes – County Revenues
Fiscal 2021



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>
2011	\$272.1	\$239.6	\$511.8	
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	520.5	471.2	991.7	0.9%
2019	500.0	520.6	1,020.6	2.9%
2020	515.1	521.2	1,036.3	1.5%
2021	661.9	638.6	1,300.5	25.5%

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 2023 are shown in **Exhibit 9.3**, along with the tax rates and revenues collected in fiscal 2021.

Exhibit 9.3
Local Transfer Taxes

County	County Tax Rates		FY 2021 Revenues	Per Capita Revenues	Per Capita Ranking
	FY 2021	FY 2023			
Allegany	0.5%	0.5%	\$709,319	\$10	19
Anne Arundel	1.0%	1.0%	85,896,594	146	6
Baltimore City	1.5%	1.5%	60,610,162	104	9
Baltimore	1.5%	1.5%	101,203,698	119	8
Calvert	0.0%	0.0%	0	0	20
Caroline	0.5%	0.5%	918,551	28	17
Carroll	0.0%	0.0%	0	0	20
Cecil	0.5%	0.5%	2,825,100	27	18
Charles	0.5%	0.5%	9,495,137	57	14
Dorchester	0.75%	0.75%	1,601,742	49	15
Frederick	0.0%	0.0%	0	0	20
Garrett	1.0%	1.0%	4,868,784	169	2
Harford	1.0%	1.0%	25,331,779	97	10
Howard	1.25%	1.25%	55,649,810	167	3
Kent	0.5%	0.5%	1,300,082	68	13
Montgomery	1.0%	1.0%	132,288,901	125	7
Prince George's	1.4%	1.4%	143,642,925	149	5
Queen Anne's	0.5%	0.5%	4,111,533	82	12
St. Mary's	1.0%	1.0%	10,271,414	90	11
Somerset	0.0%	0.0%	0	0	20
Talbot	1.0%	1.0%	8,256,643	220	1
Washington	0.5%	0.5%	4,739,263	31	16
Wicomico	0.0%	0.0%	0	0	20
Worcester	0.5%	0.5%	8,176,629	156	4
Total			\$661,898,066	\$107	

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;
- transfers of a principal residence surrendered in bankruptcy to the holder of the purchase money mortgage or purchase money deed of trust;
- transfers of real property located within certain horse racing facility sites;
- transfers of agricultural land to certain nonprofit entities that intend to maintain the agricultural character of the land; and
- transfers from governmental entities.

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 county tax collector. Local transfer taxes on transactions involving articles of consolidation, articles of merger, other documents that evidence the merger or consolidation of foreign business entities, and transfers of controlling interest are collected by the State Department of Assessments and Taxation. The department distributes these revenues to the county where each property that is transferred is located.

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 2023 are presented in **Exhibit 9.4**, along with the tax rates and revenues collected in fiscal 2021.

Exhibit 9.4
Recordation Tax Revenues

County	County Tax Rates		FY 2021 Revenues	Per Capita Revenues	Per Capita Ranking
	FY 2021	FY 2023			
Allegany	\$3.50	\$3.50	\$1,723,828	\$25	24
Anne Arundel	3.50	3.50	71,031,200	121	9
Baltimore City	5.00	5.00	44,645,148	77	18
Baltimore	2.50	2.50	45,050,990	53	21
Calvert	5.00	5.00	12,127,448	131	8
Caroline	5.00	5.00	2,637,283	79	17
Carroll	5.00	5.00	19,360,209	112	10
Cecil	4.10	4.10	9,200,584	89	13
Charles	5.00	5.00	22,225,791	133	7
Dorchester	5.00	5.00	3,049,243	94	12
Frederick	6.00	7.00	66,359,692	243	2
Garrett	3.50	3.50	4,060,441	141	6
Harford	3.30	3.30	22,003,338	84	16
Howard	2.50	2.50	28,264,600	85	15
Kent	3.30	3.30	2,071,995	108	11
Montgomery	4.45	4.45	162,182,559	153	5
Prince George's	2.75	2.75	60,279,962	62	20
Queen Anne's	4.95	4.95	10,974,410	220	4
St. Mary's	4.00	4.00	9,787,026	86	14
Somerset	3.30	3.30	873,761	36	23
Talbot	6.00	6.00	12,315,972	329	1
Washington	3.80	3.80	11,001,009	71	19
Wicomico	3.50	3.50	5,106,766	49	22
Worcester	3.30	3.30	12,222,035	233	3
Total			\$638,555,290	\$103	

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;
- transfers of a principal residence surrendered in bankruptcy to the holder of the purchase money mortgage or purchase money deed of trust; and
- transfers of real property located within certain horse racing facility sites.

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 that 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 county in which each property that is transferred is located.

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 rate varies from 3% to 5% based on the number of acres transferred and whether the land has improvements. The tax is reduced by a specified percentage if the property tax on the land being transferred was paid on the basis of any assessment other than the farm or agricultural use assessment before the transfer. A 25% agricultural land transfer tax surcharge is also collected on a property subject to the tax. The tax is collected by the tax collector in each county, except for the tax on instruments of writing filed with the State Department of Assessments and Taxation, which is collected by the department.

The agricultural land transfer tax does not apply if the purchaser signs a declaration of intent to continue using the land for agricultural purposes for at least five full consecutive years after the transfer. Nearly all the exemptions from the regular State transfer tax also apply to the agricultural land transfer tax. The agricultural land transfer tax also does not apply to a transfer of land if the land was previously subject to the agricultural land transfer tax.

The tax provides funding to State and local programs that help preserve farmland and woodland. Before 1990, each county (except Montgomery) retained approximately one-third of the funds and transferred the balance to the Comptroller of Maryland. Montgomery County retained two-thirds of its funds and transferred 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 through which the Maryland Department of Planning and the Maryland Agricultural Land Preservation Foundation jointly certify county land preservation programs that meet certain requirements and demonstrate their effectiveness. Certification allows a county to retain 75% of the agricultural transfer tax revenues collected by

that county rather than 33% (or 67% in Montgomery County) and a portion of surplus funds, if any, held by the foundation at the end of the fiscal year. Certification lasts for three years, or five years if a county has been initially certified and then recertified without interruption.

Seventeen counties are currently certified by the Maryland Department of Planning and the foundation as having an effective county agricultural land preservation program including Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Cecil, Charles, Frederick, Harford, Kent, Montgomery, Prince George's, Queen Anne's, St. Mary's, Talbot, Washington, and Worcester counties.

In order for a county to initially become certified by the Department of Planning and the foundation as having established an effective county agricultural land preservation program, the two agencies must determine that:

- the proposed program is likely to be successful;
- 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
- 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.

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 the foundation'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 of Maryland for deposit in the Maryland Agricultural Land Preservation Fund.

The entire amount of the agricultural land transfer tax surcharge is remitted to the State. None of the surcharge is retained by the counties, whether or not they are certified. For further discussion of the agricultural land transfer tax, see *Volume III – Maryland's Revenue Structure*.

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 and 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 State 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. **Exhibit 9.5**, **Exhibit 9.6**, and **Exhibit 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 2021.

Legal Reference

Tax-General Article, Title 11

Public Local Laws

Local Government Article, Title 20, Subtitle 3 (Coal Tax), Subtitle 4 (Hotel Rental Tax), Subtitle 6 (Sales and Use Tax)

Exhibit 9.5
Hotel Rental Tax Revenues

County	County Tax Rates		FY 2021 Revenues	Per Capita Revenues	Per Capita Ranking
	FY 2021	FY 2023			
Allegany	8.0%	8.0%	\$824,379	\$12	7
Anne Arundel	7.0%	7.0%	10,966,515	19	4
Baltimore City	9.5%	9.5%	10,217,293	18	5
Baltimore	9.5%	9.5%	7,541,379	9	11
Calvert	5.0%	5.0%	493,868	5	20
Caroline	5.0%	5.0%	0	0	24
Carroll	5.0%	5.0%	223,871	1	23
Cecil	6.0%	6.0%	226,044	2	22
Charles	5.0%	5.0%	1,083,116	6	14
Dorchester	5.0%	5.0%	333,330	10	10
Frederick	5.0%	5.0%	1,721,036	6	16
Garrett	8.0%	8.0%	6,974,643	243	1
Harford	6.0%	6.0%	1,684,131	6	15
Howard	7.0%	7.0%	2,824,020	8	12
Kent	5.0%	5.0%	111,690	6	19
Montgomery	7.0%	7.0%	6,424,558	6	18
Prince George's	7.0%	7.0%	6,028,909	6	17
Queen Anne's	5.0%	5.0%	596,806	12	8
St. Mary's	5.0%	5.0%	742,240	7	13
Somerset	5.0%	5.0%	81,979	3	21
Talbot	4.0%	4.0%	1,592,973	43	2
Washington	6.0%	6.0%	2,006,491	13	6
Wicomico	6.0%	6.0%	1,120,501	11	9
Worcester	5.0%	5.0%	1,085,207	21	3
Total			\$64,904,979	\$11	

Source: Department of Legislative Services

Exhibit 9.6
Local Sales and Service Taxes
Fuels and Utilities
Fiscal 2022

<u>County</u>	<u>Unit Taxed</u>	<u>Tax Rate</u>
Allegany	Coal Tax	\$0.30 per ton mined
Anne Arundel	Steam	\$160/million pounds
	Fuel Oil (nonresident only)	\$0.020/gallon
	Liquefied Petroleum	\$0.015/gallon
	Coal (bituminous/anthracite)	\$2.00-\$4.00/ton
	Natural Gas (nonresidential only)	\$0.008/\$0.020/therm
	Electricity (nonresidential only)	\$0.0025/\$0.0020/kilowatt hour
	Telephone – residential	8% sales tax
Baltimore City	Steam – commercial	\$0.00281354 per pound
	Steam – residential	\$0.00080805 per pound
	Steam – nonprofit	\$0.00166426 per pound
	Liquefied Petroleum – commercial	\$0.16135959 per gallon
	Liquefied Petroleum – residential	\$0.05111046 per gallon
	Liquefied Petroleum – nonprofit	\$0.14031355 per gallon
	Natural Gas – commercial	\$0.11568570 per therm
	Natural Gas – residential	\$0.03400107 per therm
	Natural Gas – nonprofit	\$0.09189939 per therm
	Fuel Oil – commercial	\$0.13221626 per gallon
	Fuel Oil – residential	\$0.04771915 per gallon
	Fuel Oil – nonprofit	\$0.11411250 per gallon
	Electricity – commercial	\$0.00894616 per kilowatt hour
	Electricity – residential	\$0.002865 per kilowatt hour
	Electricity – nonprofit	\$0.00627289 per kilowatt hour
	Residential, nonresidential, wireless, telephone	\$4.00 per line per month
	Centrex	\$0.40 per line per month
Baltimore ¹	Electricity (retail electric customer)	\$0.00530/kilowatt hour
	Residential and nonresidential telephone	8% sales tax
Garrett	Natural Gas	5.5% wholesale market value
	Coal	\$0.30/ton

<u>County</u>	<u>Unit Taxed</u>	<u>Tax Rate</u>
Montgomery	Liquefied Petroleum (residential)	\$0.02056-.03679 per pound
	Liquefied Petroleum (nonresidential)	included above
	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
	Fuel Oil (nonresidential)	\$0.24399-\$0.26999
	Monthly tax per land line/wireless	\$2.00/\$3.50 per line
Prince George's	Natural Gas (residential)	\$0.066208 per therm
	Fuel Oil (residential)	\$0.208033 per gallon
	Electricity (residential)	\$0.00971 per kilowatt hour
	Liquified Petroleum	\$0.133973 per gallon
	Residential, nonresidential, wireless, telephone	9% sales tax
St. Mary's	Fuel Oil	1.25% sales tax
	Liquefied Petroleum	1.25% sales tax
	Electricity	1.25% sales tax
	Natural Gas	1.25% sales tax

¹ Baltimore County electricity rate for Large Manufacturers is \$.00375 per kwh for manufacturers that are on a specified tariff schedule or consume at least 160 million kwh in a single fiscal year.

Source: Maryland Association of Counties and Department of Legislative Services Budget and Tax Rate Survey, August 2021

Exhibit 9.7
Other Local Sales and Service Tax Rates
Fiscal 2022

<u>County</u>	<u>Unit Taxed</u>	<u>Tax Rate</u>
Anne Arundel	Parking Lots	\$0.60 vehicle/day
Baltimore City	Parking Lots	20% gross receipts
Baltimore City ¹	Beverages – per container	\$0.05
Howard	Bag Tax – per bag	\$0.05
Montgomery	Bag Tax – per bag E-cigarettes	\$0.05 30% sales tax
Somerset	Boat Slips	\$325-\$675 per year
Talbot	Boat Slips	\$700-\$800 per year
Worcester	Food Tax	0.5% collected from Ocean City resort area only: 95% to Ocean City; 5% county

¹ No 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 2021

Exhibit 9.8
Local Sales and Service Taxes
Fiscal 2021

County	Telephone	Energy	Parking	Other	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$0	\$0	\$0	\$0	\$0	\$0	10
Anne Arundel	4,715,093	5,371,651	2,488,423	0	12,575,167	21	5
Baltimore City	28,730,536	42,663,993	15,821,082	0	87,215,611	150	2
Baltimore	11,134,029	13,123,912	0	0	24,257,941	28	4
Calvert	0	0	0	0	0	0	10
Caroline	0	0	0	0	0	0	10
Carroll	0	0	0	0	0	0	10
Cecil	0	0	0	0	0	0	10
Charles	0	0	0	0	0	0	10
Dorchester	0	0	0	0	0	0	10
Frederick	0	0	0	0	0	0	10
Garrett	0	57,479	0	0	57,479	2	7
Harford	0	0	0	0	0	0	10
Howard	0	0	0	554,654	554,654	2	8
Kent	0	0	0	0	0	0	10
Montgomery	52,538,156	184,419,771	0	3,925,773	240,883,700	227	1
Prince George's	14,845,333	73,332,473	0	0	88,177,806	91	3
Queen Anne's	0	0	0	0	0	0	10
St. Mary's	0	882,000	0	0	882,000	8	6
Somerset	0	0	0	0	0	0	10
Talbot	0	0	0	0	0	0	10
Washington	0	0	0	0	0	0	10
Wicomico	0	0	0	0	0	0	10
Worcester	0	0	0	77,437	77,437	1	9
Total	\$111,963,147	\$319,851,279	\$18,309,505	\$4,557,864	\$454,681,795	\$74	

Note: Other category includes the Bag Tax in Howard and Montgomery counties, the E-cigarette Tax in Montgomery County, and the Food Tax in Worcester County.

Source: 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 2023 tax rates levied in Maryland counties are shown in **Exhibit 9.9**, along with tax rates and revenues collected in fiscal 2021.

Exhibit 9.9
Admissions and Amusement Tax Revenues

County	County Tax Rates		FY 2021 Revenues	Per Capita Revenues	Per Capita Ranking
	FY 2021	FY 2023			
Allegany	7.5%	7.5%	\$70,631	\$1	14
Anne Arundel	10.0%	10.0%	4,734,924	8	3
Baltimore City	10.0%	10.0%	1,571,130	3	8
Baltimore	10.0%	10.0%	3,298,555	4	4
Calvert	1.0%	1.0%	7,330	0	21
Caroline	0.0%	0.0%	0	0	23
Carroll	10.0%	10.0%	274,088	2	10
Cecil	6.0%	6.0%	98,359	1	15
Charles	10.0%	10.0%	306,480	2	9
Dorchester	0.5%	0.5%	1,137	0	22
Frederick	0.0%	0.0%	0	0	23
Garrett	6.0%	6.0%	1,431,940	50	1
Harford	5.0%	5.0%	160,758	1	18
Howard	7.5%	7.5%	1,150,215	3	7
Kent	4.5%	4.5%	24,185	1	11
Montgomery	7.0%	7.0%	1,261,063	1	12
Prince George's	10.0%	10.0%	3,623,865	4	5
Queen Anne's	5.0%	5.0%	183,601	4	6
St. Mary's	2.0%	2.0%	30,070	0	20
Somerset	4.0%	4.0%	18,870	1	16
Talbot	5.0%	5.0%	25,483	1	17
Washington	5.0%	5.0%	79,508	1	19
Wicomico	6.0%	6.0%	118,182	1	13
Worcester	3.0%	3.0%	611,223	12	2
Total			\$19,081,597	\$3	

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; and sports wagering.

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

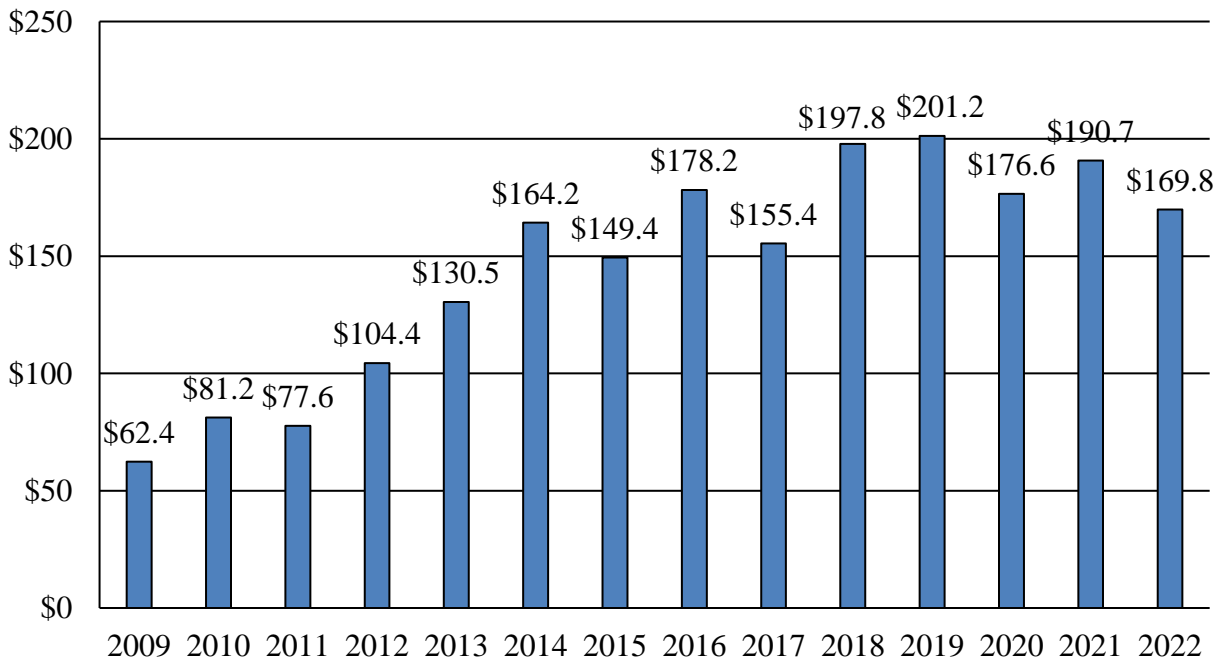
Tax-General Article, Title 2, Subtitle 2, and Title 4

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.

Sixteen counties in Maryland impose development impact fees or excise taxes, with estimated fiscal 2022 collections totaling \$169.8 million. After generally increasing for a number of years through fiscal 2007, revenues decreased considerably in fiscal 2008 and 2009. More recently, revenues have generally increased again (**Exhibit 10.1**), reaching a high of \$201.2 million in fiscal 2019.

Exhibit 10.1
Development Impact Fee and Excise Tax Revenue
Fiscal 2009-2022
(\$ 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 2022 rates, and fiscal 2022 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 2022

County	Type	Legislative Reference	Rate Per Dwelling¹	Estimated Revenues
Anne Arundel ²	Impact Fee	Ch. 350 of 1986	\$14,312	\$23,900,000
Baltimore ³	Impact Fee	Ch. 657/658 of 2019	1.5% of Gross Sales Price	N/A
Calvert	Excise Tax	Ch. 232 of 2001	12,950	3,187,454
Caroline ⁴	Excise Tax	Ch. 565/566 of 1993 Ch. 538 of 2004	5,000	216,923
Carroll	Impact Fee	Ch. 108 of 1987	533	207,776
Charles	Excise Tax	Ch. 476/586 of 2002	18,476	11,386,400
Dorchester ⁵	Excise Tax	Ch. 401 of 2004		
Frederick ⁶	Impact Fee/Excise Tax	Ch. 468 of 1990 Ch. 690 of 2001	15,847	18,940,714
Harford	Impact Fee	Ch. 389 of 2004	6,000	3,500,000
Howard ⁷	Excise Tax/Surcharge	Ch. 285 of 1992 Ch. 420 of 2004	8.10/sq. ft.	15,797,091
Montgomery ⁸	Impact Tax	Ch. 808 of 1963 Ch. 707 of 1990	46,954	34,661,000
Prince George's ⁹	Surcharge	Ch. 66 of 1995 Ch. 431 of 2003 Ch. 594 of 2005	25,692	53,631,000
Queen Anne's	Impact Fee	Ch. 532 of 1992	5.85/ sq. ft.	1,899,600
St. Mary's ¹⁰	Impact Fee Excise Tax	Ch. 814 of 1974 Ch. 589 of 2021	3,604	1,400,000
Talbot ¹¹	Impact Fee	Ch. 642 of 1991	8,403	521,500
Washington	Excise Tax	Ch. 468 of 2003 Ch. 598 of 2005 Ch. 533 of 2008	1.00/ sq. ft.	600,000
Total				\$169,849,458

sq. ft.: square foot/square feet

¹ Fees/rates listed are generally those applicable to single-family detached dwellings and are per dwelling unless otherwise indicated.

² Rates are for a 2,000 to 2,499 sq. ft. residential unit. Residential rates vary by the square footage of a unit.

³ In 2020, Baltimore County imposed a development impact fee on new residential construction that is initiated on or after July 1, 2020, and a development impact surcharge on new nonresidential construction that is initiated on or after July 1, 2020.

⁴ Legislation adopted in 2018 repealed Caroline County's development excise taxes for school construction and agricultural land preservation and established a development impact fee. A \$5,000 per dwelling unit public school construction impact fee applies to single family and multifamily dwellings, and a \$2,000 per dwelling unit fire protection/emergency medical services impact fee applies to age-restricted (55 and over) dwellings.

⁵ The county development excise tax was previously suspended for a six-year period ending on June 30, 2020. In June 2020, Dorchester County adopted an extension of the excise tax suspension through June 2022, Bill No. 2020-3.

⁶ The rates shown reflect the public school and library impact fee total.

⁷ Fiscal 2020, 2021, and 2022 amounts represent the total of the roads tax amount (\$1.50/sq. ft., \$1.51/sq. ft., and \$1.60/sq. ft., respectively) and the school surcharge amount (\$1.32/sq. ft., \$4.75/sq. ft., and \$6.50/sq. ft., respectively, with lower rates for grandfathered (through January 6, 2022), senior, and affordable housing. The school surcharge amount increased or increases midway through each of fiscal 2020, 2021, and 2022, to \$4.75/sq. ft., January 6, 2020; \$6.50/sq. ft., January 1, 2021; and \$7.65/sq. ft. January 1, 2022.

⁸ Amounts shown in the table represent the highest rates, that only apply in certain areas. Fiscal 2022 amount represents \$21,737 for schools in Turnover Impact Areas, and \$25,217 for transportation in the "yellow" and "green" zones. (The other transportation rates are \$20,173 in the "orange" zone and \$8,071 in the "red" zone in fiscal 2022. The fiscal 2022 rate for schools in Infill Impact Areas is \$20,837.)

⁹ Fiscal 2022 amount represents \$17,451 for school facilities and \$8,241 for public safety. A lower school facilities rate (\$10,180 in fiscal 2022) applies inside the beltway and to certain development near mass transit and a lower public safety rate (\$2,749 in fiscal 2022) applies inside the Transportation Service Area 1 as defined in the Prince George's County Approved General Plan and to certain development near mass transit.

¹⁰ Rates for fiscal 2020, 2021, and 2022 are for a dwelling of 1,200 to 2,399 sq. ft. Rates vary by the square footage of a unit.

¹¹ A lower rate (\$7,257 in fiscal 2022) applies to development inside municipalities.

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 by jurisdiction. 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 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 20-807
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 10.8% of total county revenues in fiscal 2021 and 16.9% of county own-source revenues. Service charges are the second largest revenue source for municipalities, comprising 29.5% of total municipal revenues in fiscal 2021 and 34.8% 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 2021, local governments collected \$4.4 billion in service charges as shown in **Exhibit 11.1**. The counties collected approximately 88.5% of the service charges, with the municipalities accounting for the remainder. Approximately 69% of service charges at the county level are for sewer, water, and solid waste services, while 7.9% are for community colleges and

3.5% are for transportation. At the municipal level, sewer, water, and solid waste charges account for the majority of service charge revenues.

Exhibit 11.1
Service Charges Revenues
Fiscal 2021

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$21,071,762	\$31,219,899	\$52,291,661	\$770	6
Anne Arundel	344,024,696	28,382,641	372,407,337	633	9
Baltimore City	648,566,253	0	648,566,253	1,112	3
Baltimore	446,860,493	0	446,860,493	524	15
Calvert	36,975,506	5,805,371	42,780,877	461	18
Caroline	4,667,406	6,033,530	10,700,936	321	24
Carroll	34,544,062	28,151,288	62,695,350	363	22
Cecil	30,409,603	24,483,506	54,893,109	529	14
Charles	95,567,727	8,334,866	103,902,593	623	10
Dorchester	7,821,991	11,239,022	19,061,013	586	11
Frederick	216,959,152	59,317,571	276,276,723	1,013	4
Garrett	11,524,356	2,485,385	14,009,741	487	17
Harford	85,255,070	25,021,089	110,276,159	422	20
Howard	166,377,139	0	166,377,139	500	16
Kent	3,489,518	3,329,113	6,818,631	356	23
Montgomery	914,831,808	43,315,354	958,147,162	903	5
Prince George's	635,234,462	12,969,681	648,204,143	671	8
Queen Anne's	23,811,361	4,009,053	27,820,414	557	13
St. Mary's	46,971,505	2,512,678	49,484,183	434	19
Somerset	7,378,462	1,973,396	9,351,858	381	21
Talbot	14,050,609	61,875,900	75,926,509	2,027	1
Washington	41,278,455	66,134,848	107,413,303	695	7
Wicomico	31,382,981	26,722,087	58,105,068	562	12
Worcester	25,964,989	51,561,470	77,526,459	1,478	2
Total	\$3,895,019,365	\$504,877,748	\$4,399,897,113	\$713	

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

Chapter 12. Other Local Revenues

Licenses and Permits

In fiscal 2021, local governments collected \$310.9 million from licenses and permits. **Exhibit 12.1** shows the total fiscal 2021 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 2021

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$542,024	\$740,251	\$1,282,275	\$19	20
Anne Arundel	24,280,154	2,892,383	27,172,537	46	7
Baltimore City	31,702,374	0	31,702,374	54	5
Baltimore	22,613,593	0	22,613,593	27	18
Calvert	2,296,515	300,612	2,597,127	28	17
Caroline	227,534	388,333	615,867	19	21
Carroll	3,788,359	1,222,147	5,010,506	29	16
Cecil	2,516,471	984,171	3,500,642	34	13
Charles	4,468,009	448,062	4,916,071	29	15
Dorchester	469,920	891,576	1,361,496	42	9
Frederick	7,690,952	4,867,760	12,558,712	46	8
Garrett	254,951	76,315	331,266	12	23
Harford	4,469,107	929,955	5,399,062	21	19
Howard	12,516,377	0	12,516,377	38	10
Kent	460,873	215,918	676,791	35	12
Montgomery	76,217,264	9,611,746	85,829,010	81	3
Prince George's	58,532,205	8,357,376	66,889,581	69	4
Queen Anne's	1,461,286	154,464	1,615,750	32	14
St. Mary's	1,552,729	108,705	1,661,434	15	22
Somerset	161,311	54,364	215,675	9	24
Talbot	2,102,365	1,041,632	3,143,997	84	2
Washington	4,023,779	3,455,918	7,479,697	48	6
Wicomico	1,359,857	2,432,108	3,791,965	37	11
Worcester	2,901,494	5,122,651	8,024,145	153	1
Total	\$266,609,503	\$44,296,447	\$310,905,950	\$50	

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 Maryland Alcohol and Tobacco Commission.

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 are generally 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 airways. 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 2021, local governments collected \$108.7 million in fines and forfeitures (see **Exhibit 12.2**). Of this amount, counties collected \$80.7 million (74.2%), and municipalities collected \$28.0 million (25.8%).

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 2021

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$206,843	\$25,336	\$232,179	\$3	15
Anne Arundel	793,823	250,668	1,044,491	2	17
Baltimore City	35,483,563	0	35,483,563	61	1
Baltimore	4,034,985	0	4,034,985	5	12
Calvert	32,057	83,140	115,197	1	19
Caroline	82,619	1,664	84,283	3	16
Carroll	127,366	32,176	159,542	1	20
Cecil	29,790	17,222	47,012	0	24
Charles	3,408,728	2,422	3,411,150	20	5
Dorchester	2,942	22,831	25,773	1	21
Frederick	135,351	2,397,030	2,532,381	9	8
Garrett	15,861	245	16,106	1	23
Harford	505,931	615,122	1,121,053	4	14
Howard	3,806,053	0	3,806,053	11	7
Kent	17,489	111,928	129,417	7	10
Montgomery	20,603,558	6,480,416	27,083,974	26	3
Prince George's	9,603,431	13,661,690	23,265,121	24	4
Queen Anne's	170,698	47,520	218,218	4	13
St. Mary's	174,617	0	174,617	2	18
Somerset	4,629	10,293	14,922	1	22
Talbot	33,184	204,430	237,614	6	11
Washington	1,352,065	1,113,589	2,465,654	16	6
Wicomico	13,649	842,711	856,360	8	9
Worcester	44,451	2,118,105	2,162,556	41	2
Total	\$80,683,683	\$28,038,538	\$108,722,221	\$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 2021, local governments received \$817.9 million in miscellaneous revenues as shown in **Exhibit 12.3**. Of this amount, counties received \$739.4 million (90.4%) and municipalities received \$78.5 million (9.6%). Of the revenues received at the county level, \$163.8 million went to the local boards of education, \$44.5 million went to the local community colleges, and \$23.6 million went to local library boards.

Exhibit 12.3
Miscellaneous Revenues
Fiscal 2021

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$10,241,159	\$2,707,673	\$12,948,832	\$191	4
Anne Arundel	70,452,235	3,161,194	73,613,429	125	14
Baltimore City	70,321,615	0	70,321,615	121	16
Baltimore	38,620,874	0	38,620,874	45	24
Calvert	11,136,404	194,798	11,331,202	122	15
Caroline	3,903,173	653,186	4,556,359	137	12
Carroll	22,208,597	4,839,246	27,047,843	156	9
Cecil	13,679,134	2,697,669	16,376,803	158	8
Charles	12,425,471	567,974	12,993,445	78	22
Dorchester	2,446,520	371,284	2,817,804	87	20
Frederick	31,973,139	18,327,801	50,300,940	184	6
Garrett	5,635,162	355,529	5,990,691	208	3
Harford	54,347,554	4,856,260	59,203,814	227	2
Howard	61,321,841	0	61,321,841	184	7
Kent	820,551	312,623	1,133,174	59	23
Montgomery	138,056,626	11,503,696	149,560,322	141	11
Prince George's	137,643,474	3,521,695	141,165,169	146	10
Queen Anne's	5,211,231	722,541	5,933,772	119	17
St. Mary's	8,306,020	3,067,939	11,373,959	100	18
Somerset	1,887,782	150,693	2,038,475	83	21
Talbot	2,607,722	4,451,695	7,059,417	188	5
Washington	23,566,902	12,278,915	35,845,817	232	1
Wicomico	7,734,311	1,448,787	9,183,098	89	19
Worcester	4,880,827	2,269,458	7,150,285	136	13
Total	\$739,428,324	\$78,460,656	\$817,888,980	\$133	

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, 2021, local debt outstanding amounted to approximately \$30.0 billion. From fiscal 2016 to 2021, local debt increased by 31.0%, as shown in **Exhibit 13.1**. This chapter will review aspects of locally assumed debt.

Exhibit 13.1
Maryland Local Government Debt Outstanding
Fiscal 2016 and 2021
(\$ in Millions)

	<u>2016</u>	<u>2021</u>	<u>Percent Change</u>
Counties	\$21,595.0	\$28,745.6	33.1%
Municipalities	1,313.0	1,268.4	-3.4%
Total	\$22,908.0	\$30,014.0	31.0%

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 (95.8%) 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 2021 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 Aa3. 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 2021

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-	Aa3	-
Carroll	AAA	Aaa	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	AAA	Aa1	AAA
St. Mary's	AA+	Aa1	AA+
Somerset	-	-	-
Talbot	-	Aa2	AAA
Washington	AA+	Aa1	AA+
Wicomico	AA+	Aa2	AA
Worcester	AA+	Aa2	AA

Note: (-) means not rated

Source: 2021 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 five 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;
- Frederick – 3% of real property and 9% 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 2016 and 2021, and **Exhibit 13.4** shows municipal indebtedness by county in fiscal 2016 and 2021.

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 2016 and 2021, and **Exhibit 13.6** shows the per capita debt amounts for municipal debt.

Per capita debt for Maryland counties totaled \$4,657 in fiscal 2021. Baltimore City and Baltimore, Howard, Montgomery, and Prince George's 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 2021 decrease to \$5,597 in Montgomery County and \$3,196 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 Wicomico 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 \$1,309 per person in fiscal 2021. Over the five-year period from fiscal 2016 to 2021, per capita county debt increased by 29.1%, while per capita municipal debt decreased by 7.8%.

County debt as a percentage of a county's assessable base totaled 3.5% in fiscal 2021, ranging from less than 1% in Kent, Talbot, and Worcester counties to over 9% in Baltimore City. County debt as a percentage of assessable base increased from 3.1% in 2016 to 3.5% in 2021.

Exhibit 13.3
Total County Debt Outstanding
Fiscal 2016 and 2021

County	2016	2021	Percent Change
Allegany	\$52,186,707	\$65,967,959	26.4%
Anne Arundel	1,392,282,263	2,007,864,157	44.2%
Baltimore City	3,317,269,965	4,323,282,249	30.3%
Baltimore	2,892,063,806	4,291,010,305	48.4%
Calvert	121,748,584	153,528,887	26.1%
Caroline	43,285,088	48,761,896	12.7%
Carroll	338,670,688	281,165,422	-17.0%
Cecil	246,815,021	251,910,408	2.1%
Charles	334,793,063	406,678,731	21.5%
Dorchester	25,871,597	45,616,695	76.3%
Frederick	705,511,644	652,113,629	-7.6%
Garrett	50,786,573	47,273,914	-6.9%
Harford	635,366,141	609,085,828	-4.1%
Howard	1,543,509,315	1,992,664,823	29.1%
Kent	24,696,331	20,548,539	-16.8%
Montgomery	6,015,348,364	7,769,098,424	29.2%
Prince George's	3,049,090,998	4,915,162,540	61.2%
Queen Anne's	125,569,554	153,526,574	22.3%
St. Mary's	171,805,967	229,016,597	33.3%
Somerset	33,533,693	32,817,048	-2.1%
Talbot	40,632,685	51,306,631	26.3%
Washington	200,691,238	187,975,070	-6.3%
Wicomico	115,403,785	98,709,487	-14.5%
Worcester	118,051,797	110,557,100	-6.3%
Total	\$21,594,984,867	\$28,745,642,913	33.1%

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 2016 and 2021

County	2016	2021	Percent Change
Allegany	\$89,463,445	\$80,213,593	-10.3%
Anne Arundel	153,080,027	151,189,393	-1.2%
Baltimore City	NA	NA	
Baltimore	NA	NA	
Calvert	17,416,152	9,817,309	-43.6%
Caroline	23,127,509	22,398,048	-3.2%
Carroll	44,929,301	66,822,906	48.7%
Cecil	62,764,374	58,446,366	-6.9%
Charles	9,346,714	6,141,676	-34.3%
Dorchester	26,100,097	15,750,015	-39.7%
Frederick	247,220,855	217,312,282	-12.1%
Garrett	5,843,798	7,439,315	27.3%
Harford	47,949,163	41,508,994	-13.4%
Howard	NA	NA	
Kent	9,416,054	8,346,229	-11.4%
Montgomery	144,453,437	141,992,584	-1.7%
Prince George's	52,490,389	82,712,320	57.6%
Queen Anne's	21,756,974	20,439,585	-6.1%
St. Mary's	4,932,982	6,957,409	41.0%
Somerset	7,158,635	4,717,746	-34.1%
Talbot	37,208,941	36,423,608	-2.1%
Washington	87,432,161	71,710,591	-18.0%
Wicomico	97,813,979	104,700,531	7.0%
Worcester	123,057,650	113,339,514	-7.9%
Total	\$1,312,962,637	\$1,268,380,014	-3.4%

Source: Department of Legislative Services

Exhibit 13.5
County Debt Measures
Fiscal 2016 and 2021

County	Per Capita Debt			Percent of Assessable Base	
	2016	2021	% Change	2016	2021
Allegany	\$720	\$971	34.9%	1.3%	1.6%
Anne Arundel	2,472	3,410	37.9%	1.7%	2.1%
Baltimore City	5,326	7,414	39.2%	8.8%	9.7%
Baltimore	3,494	5,030	44.0%	3.6%	4.6%
Calvert	1,345	1,653	23.0%	1.0%	1.2%
Caroline	1,328	1,465	10.3%	1.7%	1.8%
Carroll	2,026	1,626	-19.7%	1.8%	1.3%
Cecil	2,409	2,428	0.8%	2.5%	2.2%
Charles	2,149	2,440	13.5%	2.0%	2.1%
Dorchester	798	1,403	75.9%	0.9%	1.5%
Frederick	2,878	2,391	-16.9%	2.6%	1.9%
Garrett	1,724	1,644	-4.7%	1.1%	1.0%
Harford	2,545	2,333	-8.3%	2.3%	2.0%
Howard	4,956	5,989	20.8%	3.3%	3.5%
Kent	1,251	1,073	-14.2%	0.8%	0.7%
Montgomery	5,821	7,321	25.8%	3.4%	3.8%
Prince George's	3,363	5,090	51.4%	3.8%	4.6%
Queen Anne's	2,562	3,072	19.9%	1.6%	1.8%
St. Mary's	1,547	2,010	30.0%	1.4%	1.7%
Somerset	1,305	1,336	2.4%	2.3%	2.2%
Talbot	1,086	1,370	26.2%	0.5%	0.6%
Washington	1,345	1,216	-9.6%	1.6%	1.4%
Wicomico	1,133	954	-15.8%	1.9%	1.4%
Worcester	2,294	2,108	-8.1%	0.8%	0.7%
Total	\$3,606	\$4,657	29.1%	3.1%	3.5%

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 13.6
Municipal Debt Measures
Fiscal 2016 and 2021

County	Per Capita Debt		% Change
	2016	2021	
Allegany	\$2,745	\$2,703	-1.5%
Anne Arundel	3,873	3,692	-4.7%
Baltimore City	0	0	0.0%
Baltimore	0	0	0.0%
Calvert	2,205	1,155	-47.6%
Caroline	1,952	1,785	-8.5%
Carroll	931	1,292	38.8%
Cecil	2,107	1,915	-9.1%
Charles	718	437	-39.2%
Dorchester	1,623	948	-41.6%
Frederick	2,390	1,897	-20.7%
Garrett	851	1,098	29.1%
Harford	1,226	992	-19.1%
Howard	0	0	0.0%
Kent	1,186	1,031	-13.1%
Montgomery	841	810	-3.6%
Prince George's	214	320	49.4%
Queen Anne's	3,143	2,860	-9.0%
St. Mary's	1,364	1,511	10.8%
Somerset	1,213	804	-33.7%
Talbot	1,918	1,830	-4.6%
Washington	1,643	1,263	-23.1%
Wicomico	2,158	2,238	3.7%
Worcester	6,964	6,192	-11.1%
Total	\$1,419	\$1,309	-7.8%

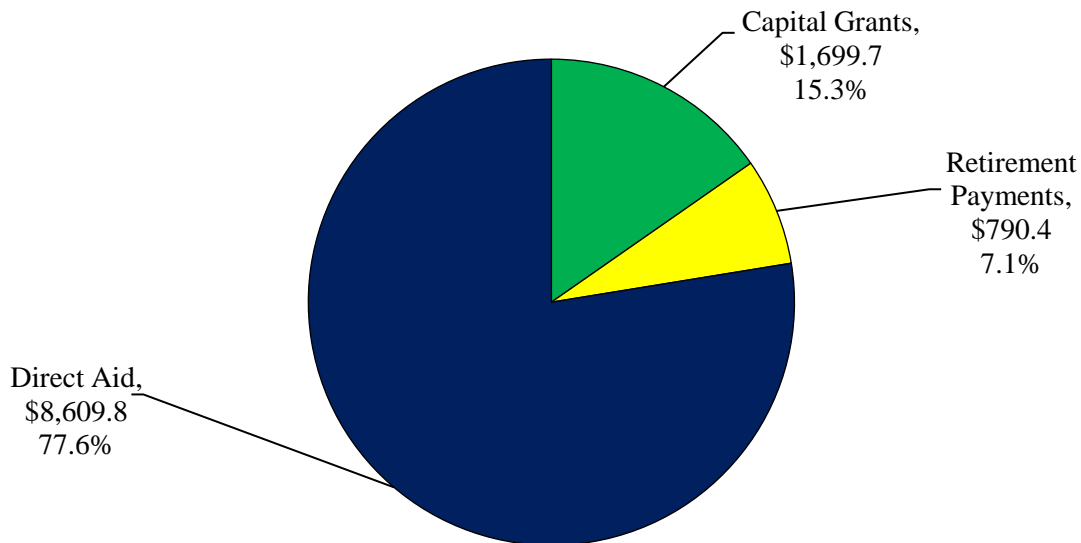
Source: Department of Legislative Services

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. State Assumption of Local Functions” of this handbook.

Local governments received approximately \$11.1 billion in State financial support in fiscal 2023. Direct aid accounts for 77.6% 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 7.1% of funding, and capital grants account for 15.3%. **Exhibit 14.1** illustrates the components of State support in fiscal 2023.

Exhibit 14.1
Components of State Support for Local Governments
Fiscal 2023
(\$ in Millions)



Source: Department of Legislative Services

Direct Aid and Retirement Payments

Overview

State aid to local governments through direct aid and retirement payments totaled \$9.4 billion in fiscal 2023, which represents record funding and a continued commitment by the State to fund public services at the local level. During the 2019 to 2022 term (fiscal 2020 to 2023), State aid to local governments increased by \$1.7 billion. This represents a 22.5% increase over the four-year period, or 5.2% on an average annual basis. The vast majority of this funding increase went to public schools with direct aid for public schools increasing by \$1.4 billion. This represents a 23.9% increase over the four-year period, or 5.5% on an average annual basis. Other units of local governments also received a significant increase in State aid during this four-year period. State aid for local health departments increased by 44.4% over the four-year period, representing a \$23.0 million funding increase, while State aid for local community colleges increased by 40.6%, representing a \$112.8 million funding increase. County and municipal governments received an additional \$198.0 million in State aid over the four-year period, which represents a 29.6% increase. State aid to local libraries increased by 13.8% over the four-year period, resulting in an additional \$8.3 million in funding. **Exhibit 14.2** and **Exhibit 14.3** show the change in State aid by governmental entity from fiscal 2019 to 2023.

Exhibit 14.2
State Aid to Local Governments
Fiscal 2019 and 2023
(\$ in Millions)

	<u>2019</u>	<u>2023</u>	<u>\$ Difference</u>	<u>% Difference</u>
Public Schools	\$5,817.5	\$7,209.8	\$1,392.4	23.9%
Libraries	60.3	68.7	8.3	13.8%
Community Colleges	277.6	390.4	112.8	40.6%
Local Health	51.9	74.9	23.0	44.4%
County/Municipal	668.1	866.0	198.0	29.6%
Subtotal – Direct Aid	\$6,875.3	\$8,609.8	\$1,734.5	25.2%
Retirement Payments	\$795.9	\$790.4	-\$5.5	-0.7%
Total	\$7,671.2	\$9,400.2	\$1,728.9	22.5%

Source: Department of Legislative Services

Exhibit 14.3
Annual Change in State Aid
Fiscal 2020-2023
(\$ in Millions)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Total</u>
Public Schools	\$409.1	\$284.1	\$243.5	\$455.6	\$1,392.4
Libraries	2.0	1.3	0.8	4.2	8.3
Community Colleges	7.1	8.9	32.0	64.8	112.8
Local Health	7.5	9.6	4.9	1.0	23.0
County/Municipal	-3.9	86.0	33.1	82.8	198.0
Subtotal – Direct Aid	\$421.9	\$389.8	\$314.3	\$608.4	\$1,734.5
Retirement Payments	\$38.3	-\$18.6	\$29.8	-\$55.0	-\$5.5
Total	\$460.2	\$371.2	\$344.1	\$553.4	\$1,728.9

Source: Department of Legislative Services

Recent Trends in State Aid

The General Assembly took several actions during the 2019 to 2022 term that altered State aid to local governments. These actions included both legislative and budgetary measures, many of which were phased in over several years. Major areas of change during this time include enhancements to direct aid for public schools through the enactment of The Blueprint for Maryland’s Future (Blueprint), which incorporated the recommendations of the Commission on Innovation and Excellence in Education. The General Assembly also enhanced the State funding formulas for local libraries and local health departments while gradually increasing State funding under the local highway user revenues program. To improve the fiscal health of low-wealth counties, the General Assembly approved legislation that enhanced State funding under the disparity grant program. The General Assembly also adopted several budgetary measures that provided additional financial assistance to local governments through supplemental grants for local health departments, law enforcement agencies, and low-wealth counties. The following provides a summary of the legislative and budgetary actions that the General Assembly took over the 2019 to 2022 legislative term.

Public Schools

State aid to public schools totaled \$7.9 billion in fiscal 2023, which included \$7.2 billion in direct aid and \$724.6 million in retirement payments. Public schools account for the vast

majority of State funding to local governments, representing approximately 85% of total State aid. In recent years, the General Assembly examined the funding structure of public schools and adopted several legislative measures that overhauled both the State and local funding requirements for public schools.

Chapter 771 of 2019 and Chapter 36 of 2021 implemented the recommendations of the Commission on Innovation and Excellence in Education and established the Blueprint as State education policy. Chapter 771 enhanced funding for special education and created an array of programs including (1) a Concentration of Poverty School Grant Program; (2) a Teacher Collaborative Grant Program; (3) a Teacher Salary Incentive Grant Program; and (4) a Transitional Supplemental Instruction for Struggling Learners Program. Chapter 36 implemented the Blueprint, as established by Chapter 771, substantially altering State policy for public schools in the policy areas of (1) early childhood education; (2) high-quality and diverse teachers and leaders; (3) college and career readiness; (4) more resources to ensure all students are successful; and (5) governance and accountability. Chapter 36 altered existing funding formulas, expanded programs, and phased in new programs and funding over more than a decade. Both State and local funding for public schools is substantially increased by Chapter 36.

Chapter 55 of 2021, among other provisions, revised Chapter 36 to account for the timing of its enactment. The fiscal 2022 budget and Chapter 55 also addressed conditions brought about by the COVID-19 pandemic, including unusually low enrollment counts for public school formula aid, by offsetting decreases in formula aid and extending by one year funding of certain programs under Chapter 771. Chapter 33 of 2022 specified the minimum local effort that county governments (including Baltimore City) must make in provision of local funds for public schools in fiscal 2023 and altered the due dates related to Blueprint implementation plans. Largely due to Blueprint reforms, total State aid for public schools (including retirement payments) increased from \$6.6 billion in fiscal 2019 to \$7.9 billion in fiscal 2023, or 21.1%.

Local Libraries

State aid to local libraries totaled \$89.4 million in fiscal 2023, which included \$68.7 million in direct aid and \$20.8 million in retirement payments. Local libraries account for approximately 1% of total State aid to local governments with funding targeted to local library systems, regional resource centers, and the State Library Resource Center in Baltimore City.

The State provides funding to local library systems through a formula that determines the State and local shares of a minimum per capita library program. Per capita funding increased from \$15.50 in fiscal 2019 to \$17.50 in fiscal 2023. Fiscal 2023 funding totaled \$44.7 million, a \$5.8 million increase compared to fiscal 2019. In addition, through Chapters 401 and 402 of 2021, Baltimore City continues to receive \$3.0 million annually to support expanded operations as it has since fiscal 2018. The State also provides funding to the State Library Resource Center and to regional resource centers. Per capita funding for the State and regional resource centers respectively increased from \$1.77 and \$7.95 in fiscal 2019 to \$1.93 and \$9.19 in fiscal 2023. Fiscal 2023 State library network funding totaled \$21.0 million, an increase of \$2.6 million over fiscal 2019. Including retirement payments, State aid for local libraries increased from

\$79.2 million in fiscal 2019 to \$89.4 million in fiscal 2023, or 12.9%. This degree of increase is largely due to Chapters 6 and 27 of 2021 and Chapters 496 and 497 of 2022, which collectively increased per capita funding for local libraries and the State and regional resource centers.

Community Colleges

State aid to local community colleges totaled \$435.3 million in fiscal 2023, which included \$390.4 million in direct aid and \$45.0 million in retirement payments. Community colleges account for 4.6% of total State aid to local governments.

The Cade funding formula is the main source of State funding in support of community colleges. The formula is based on a percentage of the current year's State aid to selected four-year public higher education institutions and the total number of full-time equivalent students at the community colleges. The total is then distributed to each college based on the previous year's direct grant, enrollment, and a small-size factor. The percentage of four-year institution funding reflected in the State aid formula increased from 22% in fiscal 2019 to 29% in fiscal 2023. This, combined with a 39% increase in per full-time equivalent funding at the four-year institutions, resulted in an 84% increase in Cade per pupil funding from fiscal 2019 to 2023. Due, however, to considerable community college enrollment declines, the Cade formula funding increased by a lesser, though still substantial, 47.7% (\$114.6 million) over this same period. Largely due to increases in Cade formula aid, in total (including retirement payments), State aid for community colleges increased from \$321.7 million in fiscal 2019 to \$435.3 million in fiscal 2023, or 35.3%.

Local Health

The State provides funds to support the delivery of public health services, including child health, communicable disease prevention, maternal health, family planning, environmental health, and administration of local health departments. The funding formula is adjusted annually for inflation and statewide population growth for the second preceding fiscal year. The annual adjustment is generally allocated to each county based on its percentage share of State funds distributed in the previous fiscal year. The need to address a substantial change in community health needs as determined by the Secretary of Health may also affect allocations of the annual adjustment. In fiscal 2023, State funding for local health departments totaled \$74.9 million, which accounts for less than 1% of total State aid. This funding amount included \$55.9 million in minimum formula funding, \$11.4 million in added personnel-related funding, and \$7.6 million in discretionary funding.

Chapter 805 of 2021 established a new base level of State funding for the local health formula, which will total \$70.0 million in fiscal 2025 and \$80.0 million in fiscal 2026. Beginning in fiscal 2027, State funding must be the greater of the (1) funding provided by the formula for the immediately preceding fiscal year or (2) actual funds appropriated for the immediately preceding year adjusted for inflation and population growth.

Transportation

The Maryland Department of Transportation provides capital transportation grants to local governments based on the amount of revenue allocated to the Gasoline and Motor Vehicle Revenue Account. These grants, which are more commonly known as local highway user revenues, totaled \$276.5 million in fiscal 2023. Of this amount, county governments received \$65.5 million, municipal governments received \$41.0 million, and Baltimore City received \$170.0 million. Over the last four years, State funding for local transportation grants has increased by \$35.2 million, which represents a 3.5% average annual increase since fiscal 2019. Even with this increase, State funding for local transportation grants remains below the level of funding provided in fiscal 2007 when State funding reached a high of \$554.9 million. Due to the ongoing pressure at the local level to restore local highway user revenues to fiscal 2007 levels, Chapter 240 of 2022 increases the share of the Gasoline and Motor Vehicle Revenue Account funds used to calculate the capital transportation grants beginning in fiscal 2024. Under Chapter 240, the share of the Gasoline and Motor Vehicle Revenue Account funds that is used to calculate the capital transportation grants increases from 13.5% in fiscal 2023 to 20.0% by fiscal 2026 and 2027 before decreasing to 15.6% in fiscal 2028 and future years.

Public Safety

State aid for public safety programs totaled \$250.8 million in fiscal 2023, which represents a \$118.6 million increase over the past four years. Most of this increase is due to enhanced discretionary funding for police aid and targeted crime grants, along with legislation increasing funding for emergency 9-1-1 systems.

Maryland's counties and municipalities receive grants for police protection through the police aid formula. The police aid formula allocates funds on a per capita basis, and jurisdictions with a higher population density receive greater per capita grants. Municipalities receive additional grants based on the number of sworn officers. State funding for police aid totaled \$76.6 million in fiscal 2023, which represents a \$2.2 million increase over the past four years. In response to the rise in violent crime, the General Assembly approved an additional \$45.9 million in funding for police aid in fiscal 2023 with the enhanced funding allocated based on each jurisdiction's share of total violent offenses committed in the State.

Local law enforcement agencies also receive additional State funding through targeted crime grants, which totaled \$53.4 million in fiscal 2023. In the past four years, State funding for targeted crime grants has increased by \$25.4 million, mostly due to the expansion in the number of grant programs. Since fiscal 2019, several new grant programs have been established, including funding for police recruitment and retention, police accountability, warrant apprehension, rape kit testing, license plate readers, and cross jurisdictional task forces.

Another program that received a considerable increase in State funding provides grants for emergency 9-1-1 systems. The State 9-1-1 system is supported by a State and a local fee on telephone subscribers that is deposited into a trust fund that provides reimbursements to counties for improvements and enhancements to their 9-1-1 systems. Counties may only use the trust fund

money to supplement their spending, not to supplant it. Chapters 301 and 302 of 2019 doubled the State 9-1-1 fee, allowed counties to double their 9-1-1 fees, and required the fee to be assessed on each phone line on a customer account as opposed to being assessed once per account. As a result, State funding for 9-1-1 systems has increased from \$13.0 million in fiscal 2019 to \$58.0 million in fiscal 2023, an increase of \$45.0 million.

Disparity Grants

The disparity grant program provides funding to low-wealth jurisdictions where per capita local income tax revenue is below 75% of the statewide average. To help alleviate potential disparities in local income tax collections, the program provides a grant to enable local income tax revenues to reach at least 75% of the statewide average. Due to the significant growth in the mandated funding level for the program, the General Assembly approved legislation in 2009 to cap annual funding to the amount that each jurisdiction received in fiscal 2010. While this provision restrained the growth in mandated funding, it failed to recognize changes in local wealth among jurisdictions due to the varying economic and social conditions across the State. To address this concern, the General Assembly approved legislation in 2013 that established a minimum funding level based on a county's local income tax rate. The minimum funding level was set at 20% for jurisdictions with at least a 2.8% local income tax rate, 40% for jurisdictions with at least a 3% rate, and 60% for jurisdictions with the maximum 3.2% rate. Subsequent legislation increased the minimum grant amount for jurisdictions with the maximum 3.2% local income tax rate to 67.5% on a temporary basis.

In 2020, the General Assembly passed House Bill 737, which altered the enhanced State funding provided under the disparity grant program to jurisdictions with a local income tax rate of 3.2% by (1) increasing the minimum grant amount from 67.5% to 75% and (2) repealing the termination date for the enhanced funding. The Governor vetoed the bill, but the veto was overridden at the 2021 session, and the legislation became law as Chapter 26 of 2021. Of the 10 jurisdictions that qualify for disparity grants, 6 impose the maximum 3.2% local income tax rate. In fiscal 2023, disparity grant funding totaled \$161.2 million, which represents a \$20.4 million increase over the last four years. Funding in fiscal 2023 included \$15.4 million in hold harmless grants for eligible jurisdictions with a 3.2% local income tax rate.

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 2019 and 2023. **Exhibit 14.5** compares total State aid in fiscal 2019 and 2023 by program.

Exhibit 14.4
State Aid to Local Governments
Fiscal 2023 Legislative Appropriation
(\$ in Thousands)

County	<i>Direct State Aid</i>						Retirement	Total	Change Over Fiscal 2019	Percent Change
	County – Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal				
Allegany	\$17,364	\$9,132	\$97,294	\$870	\$2,491	\$127,150	\$8,057	\$135,207	\$15,694	13.1%
Anne Arundel	52,081	42,972	471,213	2,730	5,970	574,966	69,616	644,582	121,251	23.2%
Baltimore City	321,507	0	1,126,504	9,652	10,690	1,468,353	61,532	1,529,885	302,752	24.7%
Baltimore	34,872	64,966	836,781	7,357	6,954	950,930	96,333	1,047,263	183,235	21.2%
Calvert	6,724	5,084	102,941	578	1,118	116,445	13,770	130,215	24,101	22.7%
Caroline	7,181	2,143	69,020	361	1,258	79,963	4,712	84,675	14,354	20.4%
Carroll	7,525	12,832	157,927	1,222	2,954	182,460	20,664	203,123	29,686	17.1%
Cecil	11,528	8,827	119,048	925	2,049	142,376	13,465	155,842	13,271	9.3%
Charles	5,998	9,361	222,572	1,328	2,396	241,655	21,680	263,335	38,438	17.1%
Dorchester	8,020	1,626	55,289	344	1,291	66,570	3,875	70,445	14,725	26.4%
Frederick	12,293	17,380	329,080	1,820	3,305	363,878	35,121	399,000	88,658	28.6%
Garrett	6,871	5,398	24,670	182	1,347	38,468	3,328	41,796	4,547	12.2%
Harford	9,646	17,677	263,582	2,030	3,717	296,652	30,470	327,121	58,975	22.0%
Howard	10,916	31,306	331,408	1,163	2,967	377,759	58,978	436,737	82,430	23.3%
Kent	1,509	645	11,263	119	1,290	14,827	1,672	16,499	312	1.9%
Montgomery	37,194	70,709	868,664	3,717	5,172	985,456	166,207	1,151,663	173,409	17.7%
Prince George's	131,139	45,390	1,348,373	8,729	8,217	1,541,848	116,986	1,658,834	242,240	17.1%
Queen Anne's	2,614	2,809	41,596	201	1,020	48,241	5,974	54,215	5,757	11.9%
St. Mary's	4,023	6,263	127,136	881	1,675	139,977	13,627	153,604	21,841	16.6%
Somerset	9,451	1,431	40,953	324	1,139	53,298	2,797	56,095	10,358	22.6%
Talbot	3,256	2,413	18,850	131	892	25,543	3,822	29,365	4,956	20.3%
Washington	11,331	14,541	213,779	1,604	3,053	244,308	17,502	261,810	42,535	19.4%
Wicomico	19,927	7,756	181,856	1,232	2,413	213,184	13,015	226,200	40,236	21.6%
Worcester	9,557	3,250	25,418	184	1,519	39,928	7,190	47,118	7,538	19.0%
Unallocated	123,481	6,460	124,616	20,973	0	275,530	0	275,530	187,648	213.5%
Total	\$866,007	\$390,370	\$7,209,834	\$68,656	\$74,896	\$8,609,763	\$790,395	\$9,400,158	\$1,728,949	22.5%

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

State Aid to Local Governments
Dollar Difference Between Fiscal 2023 Legislative Appropriation and Fiscal 2019 Actual
(\$ in Thousands)

County	County – Municipal	Community Colleges	<i>Direct State Aid</i>				Subtotal	Retirement	Total
			Public Schools	Libraries	Health				
Allegany	-\$1,199	\$2,703	\$13,612	\$53	\$954	\$16,124	-\$430	\$15,694	
Anne Arundel	4,825	11,379	101,405	380	1,652	119,641	1,610	121,251	
Baltimore City	37,960	0	265,131	274	2,323	305,688	-2,936	302,752	
Baltimore	7,411	20,582	152,983	1,147	1,435	183,558	-323	183,235	
Calvert	950	2,234	20,380	96	460	24,120	-19	24,101	
Caroline	1,393	461	12,159	44	473	14,530	-176	14,354	
Carroll	1,023	3,776	23,622	189	1,157	29,766	-80	29,686	
Cecil	-676	2,241	11,123	85	825	13,598	-327	13,271	
Charles	745	99	37,723	221	825	39,614	-1,176	38,438	
Dorchester	2,803	324	11,003	48	599	14,776	-51	14,725	
Frederick	1,567	5,906	77,737	327	1,135	86,672	1,986	88,658	
Garrett	374	1,363	2,311	19	637	4,704	-157	4,547	
Harford	1,125	4,704	51,204	358	1,256	58,647	328	58,975	
Howard	1,853	10,722	70,301	180	1,115	84,171	-1,740	82,430	
Kent	-997	94	737	16	666	516	-204	312	
Montgomery	4,062	21,330	148,604	481	1,133	175,610	-2,200	173,409	
Prince George's	24,204	12,042	202,214	1,252	1,752	241,464	775	242,240	
Queen Anne's	-178	651	5,198	25	390	6,088	-331	5,757	
St. Mary's	-840	3,106	18,976	109	553	21,904	-63	21,841	
Somerset	1,436	594	7,826	21	496	10,374	-15	10,358	
Talbot	411	562	3,521	16	366	4,876	80	4,956	
Washington	3,215	4,822	33,554	243	1,105	42,939	-404	42,535	
Wicomico	4,496	2,122	32,208	141	995	39,963	274	40,236	
Worcester	1,014	818	4,880	24	728	7,463	74	7,538	
Unallocated	100,978	138	83,938	2,593	0	187,648	0	187,648	
Total	\$197,956	\$112,773	\$1,392,352	\$8,343	\$23,031	\$1,734,454	-\$5,506	\$1,728,949	

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

State Aid to Local Governments
Percent Change: Fiscal 2023 Legislative Appropriation Over Fiscal 2019 Actual

County	<i>Direct State Aid</i>						Retirement	Total
	County – Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal		
Allegany	-6.5%	42.0%	16.3%	6.5%	62.1%	14.5%	-5.1%	13.1%
Anne Arundel	10.2%	36.0%	27.4%	16.2%	38.3%	26.3%	2.4%	23.2%
Baltimore City	13.4%	n/a	30.8%	2.9%	27.8%	26.3%	-4.6%	24.7%
Baltimore	27.0%	46.4%	22.4%	18.5%	26.0%	23.9%	-0.3%	21.2%
Calvert	16.5%	78.4%	24.7%	19.9%	69.9%	26.1%	-0.1%	22.7%
Caroline	24.1%	27.4%	21.4%	13.8%	60.3%	22.2%	-3.6%	20.4%
Carroll	15.7%	41.7%	17.6%	18.3%	64.4%	19.5%	-0.4%	17.1%
Cecil	-5.5%	34.0%	10.3%	10.1%	67.4%	10.6%	-2.4%	9.3%
Charles	14.2%	1.1%	20.4%	20.0%	52.5%	19.6%	-5.1%	17.1%
Dorchester	53.7%	24.9%	24.8%	16.1%	86.6%	28.5%	-1.3%	26.4%
Frederick	14.6%	51.5%	30.9%	21.9%	52.3%	31.3%	6.0%	28.6%
Garrett	5.8%	33.8%	10.3%	11.4%	89.8%	13.9%	-4.5%	12.2%
Harford	13.2%	36.3%	24.1%	21.4%	51.1%	24.6%	1.1%	22.0%
Howard	20.4%	52.1%	26.9%	18.3%	60.2%	28.7%	-2.9%	23.3%
Kent	-39.8%	17.0%	7.0%	15.9%	106.7%	3.6%	-10.9%	1.9%
Montgomery	12.3%	43.2%	20.6%	14.9%	28.0%	21.7%	-1.3%	17.7%
Prince George's	22.6%	36.1%	17.6%	16.8%	27.1%	18.6%	0.7%	17.1%
Queen Anne's	-6.4%	30.2%	14.3%	14.5%	61.9%	14.4%	-5.2%	11.9%
St. Mary's	-17.3%	98.4%	17.5%	14.1%	49.3%	18.6%	-0.5%	16.6%
Somerset	17.9%	71.0%	23.6%	7.0%	77.1%	24.2%	-0.5%	22.6%
Talbot	14.4%	30.3%	23.0%	13.7%	69.8%	23.6%	2.1%	20.3%
Washington	39.6%	49.6%	18.6%	17.9%	56.7%	21.3%	-2.3%	19.4%
Wicomico	29.1%	37.7%	21.5%	13.0%	70.2%	23.1%	2.1%	21.6%
Worcester	11.9%	33.6%	23.8%	15.1%	92.0%	23.0%	1.0%	19.0%
Unallocated	448.7%	2.2%	206.3%	14.1%	n/a	213.5%	-50.0%	213.5%
Total	29.6%	40.6%	23.9%	13.8%	44.4%	25.2%	-0.7%	22.5%

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

State Aid to Local Governments
Fiscal 2019 Actual
(\$ in Thousands)

County	<i>Direct State Aid</i>						Retirement	Total
	County – Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal		
Allegany	\$18,563	\$6,429	\$83,681	\$817	\$1,536	\$111,026	\$8,487	\$119,513
Anne Arundel	47,255	31,593	369,808	2,350	4,318	455,325	68,006	523,331
Baltimore City	283,548	0	861,373	9,378	8,367	1,162,665	64,468	1,227,133
Baltimore	27,461	44,384	683,798	6,210	5,519	767,372	96,656	864,028
Calvert	5,774	2,849	82,561	482	658	92,324	13,790	106,114
Caroline	5,788	1,682	56,861	317	785	65,433	4,889	70,321
Carroll	6,503	9,056	134,306	1,032	1,797	152,693	20,744	173,437
Cecil	12,204	6,586	107,925	840	1,224	128,778	13,792	142,570
Charles	5,253	9,262	184,849	1,107	1,571	202,041	22,856	224,897
Dorchester	5,217	1,302	44,286	296	692	51,794	3,926	55,720
Frederick	10,726	11,474	251,343	1,493	2,171	277,207	33,135	310,342
Garrett	6,497	4,034	22,359	163	710	33,764	3,484	37,249
Harford	8,521	12,973	212,378	1,672	2,461	238,005	30,142	268,146
Howard	9,063	20,583	261,107	983	1,851	293,588	60,719	354,307
Kent	2,506	552	10,526	103	624	14,311	1,875	16,186
Montgomery	33,132	49,379	720,060	3,236	4,039	809,847	168,407	978,254
Prince George's	106,935	33,348	1,146,159	7,477	6,465	1,300,383	116,211	1,416,594
Queen Anne's	2,792	2,158	36,398	175	630	42,153	6,305	48,458
St. Mary's	4,862	3,156	108,160	772	1,122	118,072	13,690	131,763
Somerset	8,015	837	33,126	303	643	42,924	2,813	45,736
Talbot	2,845	1,852	15,329	116	525	20,666	3,742	24,408
Washington	8,116	9,718	180,224	1,361	1,948	201,368	17,906	219,275
Wicomico	15,431	5,634	149,648	1,091	1,418	173,222	12,742	185,963
Worcester	8,542	2,433	20,539	159	791	32,464	7,115	39,580
Unallocated	22,502	6,322	40,678	18,380	0	87,882	0	87,882
Total	\$668,052	\$277,597	\$5,817,482	\$60,313	\$51,865	\$6,875,308	\$795,901	\$7,671,209

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 2019 and 2023

<u>Program</u>	<u>2019</u>	<u>2023</u>	<u>Difference</u>
Foundation Aid	\$3,056,189,470	\$3,659,452,582	\$603,263,112
Supplemental Program	46,620,083	0	-46,620,083
Geographic Cost of Education Index	141,573,510	157,909,651	16,336,141
Net Taxable Income Education Grant	62,523,818	0	-62,523,818
Foundation – Special Grants	12,955,565	0	-12,955,565
Tax Increment Financing Education Grants	535,131	0	-535,131
Declining Enrollment Education Grants	18,663,687	0	-18,663,687
Compensatory Education	1,308,336,290	1,295,201,860	-13,134,430
Student Transportation – Regular	256,452,211	308,751,983	52,299,772
Student Transportation – Special Education	26,121,000	27,213,000	1,092,000
Special Education – Formula	290,806,520	401,310,445	110,503,925
Special Education – Nonpublic Placements	123,500,000	141,413,212	17,913,212
Special Education – Infants and Toddlers	10,170,853	14,673,430	4,502,577
English Language Learners Grant	288,041,382	422,465,014	134,423,632
Guaranteed Tax Base	48,169,682	45,783,860	-2,385,822
Prekindergarten Expansion Program	11,605,644	26,644,000	15,038,356
Prekindergarten Supplemental Grants	16,039,177	0	-16,039,177
School Safety Grants	30,581,246	20,600,000	-9,981,246
Blueprint – Concentration of Poverty	0	190,286,426	190,286,426
Blueprint – Transitional Supplemental Instruction	0	49,951,813	49,951,813
Blueprint – Transition Grants	0	57,688,465	57,688,465
Blueprint – Full Day Prekindergarten	0	144,063,352	144,063,352
Blueprint – College and Career Readiness	0	18,669,966	18,669,966
Blueprint – Education Effort Index	0	125,673,115	125,673,115
Blueprint – Career Ladder	0	9,033,505	9,033,505
Food Service	11,236,664	15,796,664	4,560,000
SEED School	10,450,207	12,291,760	1,841,553
Judy Hoyer Centers	10,575,000	24,936,380	14,361,380
Teacher Development	3,503,190	2,696,000	-807,190
Next Generation Scholars	4,700,000	5,000,000	300,000
Public School Opportunities	3,000,000	3,000,000	0
Out-of-county Foster Placements	2,000,164	2,000,000	-164
Head Start	1,799,999	3,000,000	1,200,001

<u>Program</u>	<u>2019</u>	<u>2023</u>	<u>Difference</u>
Other Education Aid	21,331,686	24,327,260	2,995,574
Total Primary and Secondary Education	\$5,817,482,179	\$7,209,833,743	\$1,392,351,564
Library Formula	\$41,932,865	\$47,683,020	\$5,750,155
Library Network	18,380,048	20,972,879	2,592,831
Total Libraries	\$60,312,913	\$68,655,899	\$8,342,986
Community College Formula	\$240,441,140	\$355,061,437	\$114,620,297
Optional Retirement	16,734,952	16,700,000	-34,952
Grants for ESOL Programs	5,534,272	3,026,334	-2,507,938
Small College Grants	6,559,101	9,121,808	2,562,707
Other Community College Aid	8,327,244	6,460,457	-1,866,787
Total Community Colleges	\$277,596,709	\$390,370,036	\$112,773,327
Highway User Revenue	\$183,348,097	\$276,501,000	\$93,152,903
County Transportation Grants	35,451,141	0	-35,451,141
Municipal Transportation Grants	22,480,289	0	-22,480,289
Elderly and Disabled Transportation Aid	4,374,842	4,305,908	-68,934
Paratransit Grants	1,500,562	1,408,450	-92,112
Total Transportation	\$247,154,931	\$282,215,358	\$35,060,427
Police Aid	\$74,450,463	\$76,633,868	\$2,183,405
Police Aid Enhancement	0	45,878,144	45,878,144
Fire and Rescue Aid	15,000,000	15,000,000	0
9-1-1 Grants	13,006,802	58,042,886	45,036,084
Baltimore City Direct Police Grant	9,180,112	9,180,113	1
Safe Streets Program	4,589,746	3,600,000	-989,746
State's Attorney Grants	3,228,840	2,905,955	-322,885
Violent Crime Grants	2,292,489	2,292,489	0
Vehicle Theft Prevention	1,839,697	1,886,020	46,323
Drug Enforcement Grants	1,011,696	1,214,610	202,914
Maryland Criminal Intelligence Network	1,200,000	6,723,865	5,523,865
Police Recruitment and Retention	0	1,300,000	1,300,000
Rape Kit Testing Grant Fund	0	3,500,000	3,500,000
Police Accountability	0	8,000,000	8,000,000
Warrant Apprehension Grant	0	3,250,000	3,250,000
License Plate Reader Grant	0	5,000,000	5,000,000
Cross Jurisdictional Task Forces	0	1,000,000	1,000,000

<u>Program</u>	<u>2019</u>	<u>2023</u>	<u>Difference</u>
Other Public Safety Aid	6,489,481	5,431,509	-1,057,972
Total Public Safety	\$132,289,326	\$250,839,459	\$118,550,133
Wastewater Treatment – Nutrient Removal	\$5,327,250	\$11,000,000	\$5,672,750
Critical Area Grants	253,900	138,450	-115,450
Total Recreation/Environment	\$5,581,150	\$11,138,450	\$5,557,300
Local Health Formula	\$51,864,717	\$74,895,642	\$23,030,925
Disparity Grant	\$140,804,172	\$161,217,795	\$20,413,623
Gaming Impact Grants	\$92,844,277	\$101,518,357	\$8,674,080
Teachers Retirement Supplemental Grants	27,658,661	27,658,661	0
Adult Education	7,875,407	8,011,986	136,579
Statewide Voting Systems	3,067,129	5,372,337	2,305,208
Revenue Equity Program	3,303,370	3,928,657	625,287
Payments in Lieu of Taxes (PILOT)	2,189,598	1,667,392	-522,206
PILOT – Park Service	2,056,592	2,879,000	822,408
PILOT – Forest Service	212,385	144,708	-67,677
Instant Bingo	2,250,413	3,150,000	899,587
Behavioral Health Crisis Response	0	5,000,000	5,000,000
Senior Citizens Activities Center	764,238	765,117	879
State Center Redevelopment Plan	0	500,000	500,000
Total Other Direct Aid	\$142,222,070	\$160,596,215	\$17,874,145
Total Direct Aid	\$6,875,308,167	\$8,609,762,597	\$1,734,454,430
Retirement – Teachers	\$732,920,781	\$724,643,897	-\$8,276,884
Retirement – Libraries	18,912,773	20,776,867	1,864,094
Retirement – Community Colleges	44,067,171	44,974,265	907,094
Total Payments-in-behalf	\$795,900,725	\$790,395,029	-\$5,505,696
Total State Aid	\$7,671,208,892	\$9,400,157,626	\$1,728,948,734

ESOL: English for Speakers of Other Languages
SEED: Seeking Educational Equity and Diversity

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 26.1% of total revenues (in all counties and Baltimore City) in fiscal 2021. In 9 counties (Anne Arundel, Baltimore, Calvert, Carroll, Garrett, Harford, Kent, Talbot, and Worcester), State aid was the second largest revenue source after property taxes, whereas in Howard, Montgomery, and Queen Anne's counties, State aid was the third largest revenue source after both property and income taxes.

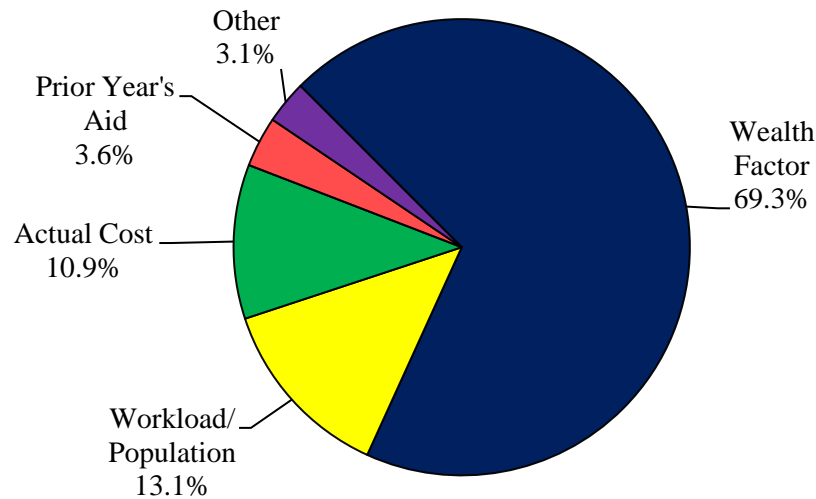
Dependence on State aid varies, with less affluent jurisdictions relying on State aid as their primary revenue source, while more affluent jurisdictions rely more heavily on local property and income taxes. For example, in fiscal 2021, State aid only accounted for 17.4% of total revenues in Montgomery County but accounted for 55.6% of total revenues 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 was the fourth largest revenue source for municipalities in fiscal 2021, accounting for 6.4% 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 Anne Arundel, St. Mary's, Talbot, Washington, and Worcester counties to over 20% for municipalities in Caroline County.

Distribution Basis for State Aid

The State utilizes over 80 different programs to allocate funding to local governments. Programs that distribute funding inversely to local wealth accounted for 69% of State aid in fiscal 2023. 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 2023



(\$ in Millions)

	<u>2023</u>	<u>% of Total</u>
Wealth Factor	\$6,514.1	69.3%
Workload/Population	1,234.6	13.1%
Actual Cost	1,027.6	10.9%
Prior Year's Aid	336.4	3.6%
Other	287.5	3.1%
Total	\$9,400.2	100.0%

Source: Department of Legislative Services

Capital Projects

The State provides grants for specific capital projects, including funding for school construction, community college facilities, parks and recreation facilities, wastewater facility improvements, health facilities, and low-income housing. Proceeds from the sale of State bonds are the primary source of funding for these capital project grants. For fiscal 2023, the State capital and operating budgets authorized approximately \$1.7 billion for State programs providing grants primarily to local governments. As **Exhibit 14.7** shows, public school construction funding

accounted for 72.1% of total capital funds earmarked for local projects in fiscal 2023, while environment and recreation programs accounted for 18.2%.

Exhibit 14.7
State Funding for Local Government Capital Projects
Fiscal 2023

Education	<u>Amount</u>	<u>Percent of Total</u>
Public School Construction ¹	\$1,226,310,000	72.1%
Community College Projects	97,193,500	5.7%
Public Libraries	7,500,000	0.4%
<i>Subtotal</i>	<i>\$1,331,003,500</i>	<i>78.3%</i>
Environment and Recreation		
Chesapeake Bay Restoration Fund	\$93,056,000	5.5%
Resiliency through Restoration Initiative	1,970,000	0.1%
Comprehensive Flood Management Program	7,292,000	0.4%
Water Supply Financial Assistance Program	1,427,000	0.1%
Waterway Improvement Fund	6,090,550	0.4%
Supplemental Assistance Program	3,000,000	0.2%
Hazardous Substance Cleanup Program	777,000	0.0%
Mining Remediation Program	500,000	0.0%
Program Open Space	105,009,427	6.2%
Local Parks and Playgrounds Infrastructure	84,625,000	5.0%
Community Parks and Playgrounds	5,000,000	0.3%
<i>Subtotal</i>	<i>\$308,746,977</i>	<i>18.2%</i>
Health and Social		
Community Health Facilities Grant Program	\$6,513,868	0.4%
Federally Qualified Health Centers Grant Program	3,500,000	0.2%
Senior Centers Capital Grant Program	2,400,000	0.1%
Strategic Demolition Fund	30,000,000	1.8%
Shelter and Transitional Housing Facilities	3,000,000	0.2%
Partnership Rental Housing Program	12,000,000	0.7%
Local Jails and Detention Centers	2,576,000	0.2%
<i>Subtotal</i>	<i>\$59,989,868</i>	<i>3.5%</i>
Total	\$1,699,740,345	100.0%

¹ Excludes \$7,190,000 in funding under the Public School Construction Program that is for the Maryland School for the Blind, a nonprofit private school that receives most of its operating funding from the State.

Chapter 15. Education State Aid

State Education 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. In fiscal 2021, for example, State support totaled \$7.2 billion, which was 48% of the \$14.9 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 2021, local governments provided 46% of total revenues for local school systems, and revenues generated by the local boards of education made up another 1% of total funding. Federal aid made up the remaining 5% of funding.

Bridge to Excellence and the Blueprint for Maryland's Future

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.

More recently, Chapters 701 and 702 of 2016 established the Commission on Innovation and Excellence in Education (also known as the Kirwan Commission) to (1) review the findings of a consultant's study on adequacy of education funding and its related studies and make recommendations on the funding formulas; (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.

The Kirwan Commission's recommendations, the Blueprint for Maryland's Future, were implemented through legislation introduced and enacted over the course of the 2018 through 2022 legislative sessions. The legislation, among other things, provided increased funding for public education – under the foundation, concentration of poverty, education effort adjustment, special education, prekindergarten, and other programs – which significantly contributed to the overall increase in State education aid funding between fiscal 2019 and 2023 shown below. For detailed information on the Blueprint for Maryland's Future, see *Volume IX – Education in Maryland*.

State Education Aid by Program

Exhibit 15.1 shows State education aid by major program for fiscal 2019 and 2023. Overall, State education aid increased by \$1.4 billion, or 21.1%, during this time. Due to a series of changes beginning with the 2011 session, State support for teachers' retirement has been relatively flat during this period, decreasing by \$8.3 million, or 1.1%. However, largely due to the inception of Blueprint changes to education funding, direct State aid increased by \$1.4 billion, or 23.9%, from fiscal 2019 to 2023. 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 \$462.0 million.

Exhibit 15.1
State Education Aid by Major Program
Fiscal 2019 and 2023
(\$ in Millions)

<u>Education Aid Program</u>	<u>2019</u>	<u>2023</u>	<u>Change</u>	<u>Percent Change</u>
Foundation Program ¹	\$3,197.5	\$3,659.5	\$462.0	14.4%
Geographic Cost of Education Index ²	141.6	157.9	16.3	11.5%
Education Effort Adjustment	0.0	125.7	125.7	n/a
Blueprint Transition Grants	0.0	57.7	57.7	n/a
Guaranteed Tax Base	48.2	45.8	-2.4	-5.0%
Compensatory Education ³	1,308.3	1,295.2	-13.1	-1.0%
English Language Learners	288.0	422.5	134.4	46.7%
Special Education	290.8	401.3	110.5	38.0%
Concentration of Poverty	0.0	190.3	190.3	n/a
Prekindergarten ⁴	27.6	170.7	143.1	517.5%
Nonpublic Special Education	123.5	141.4	17.9	14.5%
Transitional Supplemental Instruction	0.0	50.0	50.0	n/a
Student Transportation	282.6	336.0	53.4	18.9%
Other Direct Aid Programs ⁵	109.3	156.0	46.7	42.7%
<i>Direct Aid Subtotal</i>	<i>\$5,817.5</i>	<i>\$7,209.8</i>	<i>\$1,392.4</i>	<i>23.9%</i>
Teachers' Retirement	\$732.9	\$724.6	-\$8.3	-1.1%
Total	\$6,550.4	\$7,934.5	\$1,384.1	21.1%

¹ In fiscal 2019, includes net taxable income, tax increment financing, foundation special and supplemental, and declining enrollment grants.

² Geographic Cost of Education Index grants are replaced by Comparable Wage Index grants in fiscal 2024.

³ Includes fiscal 2023 compensatory education hold harmless grants.

⁴ Includes prekindergarten expansion, supplemental as well as other early childhood education funding, and additionally in fiscal 2023, full-day grants.

⁵ See Exhibit 15.2 for additional programs and their fiscal 2023 funding amounts.

Source: Department of Legislative Services

The majority of education State aid is distributed to local school systems based on student enrollments and local wealth. The State aid structure compensates for wealth differences by providing less aid per pupil to the wealthier jurisdictions and more aid per pupil to the less wealthy jurisdictions through a number of “wealth-equalized” funding formulas. The State aid structure

also targets additional resources to school systems with large proportions of students who are at risk of falling behind academically. 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. Additional State aid supports other expenses for functions such as student transportation, school safety, food service, and teacher development. **Exhibit 15.2** shows all fiscal 2023 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*. **Exhibit 15.3** shows the same three categories of aid by county for fiscal 2023.

Exhibit 15.2
Fiscal 2023 State Education Aid by Category

General Education Aid	
Foundation Program	\$3,659,452,582
Geographic Cost of Education Index ¹	157,909,651
Education Effort Adjustment	125,673,115
Blueprint Transition Grants	57,688,465
Guaranteed Tax Base	45,783,860
Specific Populations (Out of County)	2,000,000
General Education Subtotal	\$4,048,507,673
Targeted Aid	
Compensatory Education	\$1,295,201,860
English Language Learners	422,465,014
Special Education	401,310,445
Concentration of Poverty	190,286,426
Full-day Prekindergarten	144,063,352
Nonpublic Special Education	141,413,212
Transitional Supplemental Instruction	49,951,813
Prekindergarten Expansion Grants	26,644,000
Judy Hoyer Centers	24,936,380
College and Career Readiness	18,669,966
Infants and Toddlers	14,673,430
SEED School of Maryland	12,291,760
Learning in Extended Academic Programs	4,500,000
Head Start	3,000,000
Targeted Aid Subtotal	\$2,749,407,658
Other Aid	
Student Transportation ²	\$335,999,983
School Safety	20,600,000
Food Service	15,796,664
Teacher Development	11,729,505
School Based Health Centers	9,094,803
Next Generation Scholars	5,000,000
Healthy Families/Home Visits	4,590,667
Public School Opportunities	3,000,000
Other Aid ³	6,106,790
Other Aid Subtotal	\$411,918,412
Total Direct Aid	\$7,209,833,743
Teachers' Retirement	\$724,643,897
Total State Education Aid	\$7,934,477,640

SEED: Seeking Educational Equity and Diversity

¹ Geographic Cost of Education Index grants are replaced by Comparable Wage Index grants in fiscal 2024.

² Includes transportation for special needs students and the Smith Island Boat Grant in Somerset County.

³ Includes Career and Technology Education (\$2,000,000), Pathways in Technology Early College High (\$1,938,661), Fine Arts Grants (\$731,530), Advanced Placement Computer Science (\$510,000), Robotics Grants (\$350,000), Early College (\$300,000), Linking Youth to New Experiences Schools (\$236,599), and Lacrosse Opportunities (\$40,000) funding.

Source: Department of Legislative Services

Exhibit 15.3
Fiscal 2023 State Education Aid by County
(\$ in Thousands)

County	General Education	Targeted Aid	Other Direct	Retirement	Total
Allegany	\$53,308	\$37,841	\$6,145	\$6,264	\$103,558
Anne Arundel	281,688	157,114	32,412	63,024	534,238
Baltimore City	562,696	539,589	24,219	58,961	1,185,465
Baltimore	494,936	300,782	41,063	87,018	923,799
Calvert	74,260	21,389	7,292	12,825	115,766
Caroline	36,469	28,801	3,750	4,352	73,372
Carroll	111,932	33,657	12,338	18,648	176,575
Cecil	72,949	39,109	6,990	12,313	131,361
Charles	141,200	66,970	14,402	20,209	242,781
Dorchester	27,767	24,049	3,473	3,619	58,908
Frederick	217,101	94,397	17,583	32,140	361,221
Garrett	13,817	6,722	4,131	2,751	27,421
Harford	169,644	77,290	16,648	27,001	290,584
Howard	221,791	85,627	23,990	53,512	384,919
Kent	4,483	4,774	2,006	1,533	12,796
Montgomery	474,889	337,849	55,927	153,186	1,021,850
Prince George's	723,631	570,153	54,589	108,932	1,457,305
Queen Anne's	26,316	10,717	4,563	5,486	47,083
St. Mary's	85,669	32,709	8,757	12,667	139,802
Somerset	17,879	20,275	2,799	2,571	43,524
Talbot	5,434	11,214	2,202	3,403	22,252
Washington	128,445	75,479	9,855	15,664	229,443
Wicomico	94,224	80,455	7,178	12,012	193,869
Worcester	7,980	13,560	3,878	6,552	31,970
Unallocated	0	78,885	45,731	0	124,616
Statewide	\$4,048,508	\$2,749,408	\$411,918	\$724,644	\$7,934,478

Note: Numbers may not sum due to rounding.

Source: Department of Legislative Services

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 fourth lowest wealth per pupil in fiscal 2023 and the student population with the second greatest needs. As a result, Somerset County received the most direct State aid per student at \$16,011. 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 \$15,787. Talbot and Worcester counties, which had the highest wealth per pupil figures in fiscal 2023, received the two lowest levels of direct State aid per pupil, at \$4,453 and \$3,970, 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 2023

<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	116.1%	24	Caroline	\$337,790	1	Somerset	\$16,011
2	Somerset	93.5%	23	Wicomico	347,961	2	Baltimore City	15,787
3	Prince George's	85.4%	22	Allegany	357,019	3	Caroline	13,124
4	Dorchester	81.7%	21	Somerset	357,884	4	Wicomico	13,094
5	Wicomico	80.3%	20	Baltimore City	421,780	5	Dorchester	12,814
6	Caroline	73.6%	19	Dorchester	424,382	6	Allegany	12,699
7	Talbot	71.0%	18	Washington	426,270	7	Prince George's	10,842
8	Allegany	65.5%	17	Charles	491,306	8	Washington	10,132
9	Kent	65.3%	16	Cecil	507,020	9	Charles	8,565
10	Baltimore	63.2%	15	Prince George's	525,069		State	8,496
	State	62.6%	14	St. Mary's	532,776	10	Cecil	8,407
11	Washington	60.6%	13	Frederick	535,012	11	Baltimore	7,812
12	Montgomery	57.0%	12	Calvert	563,404	12	St. Mary's	7,607
13	Worcester	56.2%	11	Harford	567,780	13	Frederick	7,511
14	Cecil	54.9%	10	Carroll	595,512	14	Garrett	7,368
15	Garrett	53.4%	9	Baltimore	597,758	15	Harford	7,147
16	Charles	51.1%		State	629,034	16	Calvert	6,886
17	Anne Arundel	48.6%	8	Howard	691,671	17	Kent	6,600
18	Frederick	43.5%	7	Queen Anne's	756,674	18	Carroll	6,418
19	Harford	43.4%	6	Anne Arundel	761,434	19	Howard	5,935
20	Howard	39.7%	5	Garrett	761,762	20	Queen Anne's	5,839
21	Queen Anne's	36.4%	4	Montgomery	867,519	21	Anne Arundel	5,827
22	St. Mary's	36.3%	3	Kent	1,006,974	22	Montgomery	5,626
23	Calvert	31.3%	2	Talbot	1,159,403	23	Talbot	4,453
24	Carroll	28.3%	1	Worcester	1,295,989	24	Worcester	3,970

Note: At-risk percentage equals the sum of students with disabilities, students eligible for free and reduced-price meals, and English language learner students 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 and Renovation

The State and local governments share in the financing and oversight of capital construction and renovation of public school facilities in Maryland. The State provides direct financial support and oversight to local governments for the construction and renovation of public school facilities through a variety of programs and special funds, including the Public School Construction Program, the Built To Learn Program, the Capital Grant Program for Local School Systems With Significant Enrollment Growth or Relocatable Classrooms, the Healthy School Facility Fund, the School Construction Revolving Loan Fund, the Aging Schools Program, and the Nancy K. Kopp Public School Facilities Priority Fund (newly established, with mandated funding beginning in fiscal 2027). The State also provides limited capital funding to nonpublic schools. The Interagency Commission on School Construction, an independent entity within the Maryland State Department of Education, has authority to grant final approval with respect to State funding for public school construction projects. **Exhibit 15.5** shows State funding for public school construction, by program, for fiscal 2023.

Exhibit 15.5
State Public School Construction Funding
Fiscal 2023
(\$ in Millions)

<u>Program</u>	<u>Funding</u>
Public School Construction Program ¹	\$514.8
Built to Learn Program	480.0
Capital Grant Program for Local School Systems With Significant Enrollment Growth or Relocatable Classrooms	95.4
Healthy School Facility Fund	90.0
School Construction Revolving Loan Fund	40.0
Aging Schools Program	6.1
Total	\$1,226.3

¹ Includes \$237 million in block grants for certain counties that do not require local matching funding pursuant to language in the fiscal 2023 capital budget bill (Chapter 344 of 2022).

Source: Department of Budget and Management, *FY 2023 Fiscal Digest*

Public School Construction Program

Established in 1971, the Public School Construction Program is the State's primary and longest running school construction funding and oversight program and also provides the basis for determining eligible expenses for other major programs, including the Built to Learn Program and Capital Grant Program for Local School Systems With Significant Enrollment Growth or Relocatable Classrooms. The program requires that, each year, local systems develop and submit to the Interagency Commission on School Construction, a 10-year 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. Planning approval reflects the commission's determination that a project is justified and ready to move to the construction phase. Planning approval also commits the State to fund its share of the project cost but only as funding becomes available.

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 annually which projects to fund through the program. By December 31 of each year, the commission must approve projects comprising 75% of the preliminary school construction allocation projected to be made available by the Governor for the upcoming fiscal year; by March 1 the commission must recommend to the General Assembly projects comprising 90% of the allocation for school construction submitted in the Governor's capital budget; and, following the legislative session, the commission approves projects comprising the balance of school construction funds included in the enacted capital budget, no earlier than May 1.

The commission establishes school construction-related expenses that are eligible and ineligible for reimbursement by the State. The State pays at least 50% of *eligible* costs for each public school construction project, but the State share varies by county and by project based on a mandated formula. In addition to the Public School Construction Program, the State and local cost shares apply to several other public school construction programs, including the Built to Learn Program, the Capital Grant Program for Local School Systems With Significant Enrollment Growth or Relocatable Classrooms, and the Healthy School Facility Fund. The cost-share formula takes multiple factors into account, including local wealth, at-risk student populations, enrollment growth, economic condition of the county, and local effort for school construction. Also, beginning in fiscal 2024, statute includes several adjustments and incentives that increase the State share for individual projects that meet specified criteria.

For each approved public school construction project, the commission calculates a maximum State allocation that is based on (1) projected enrollment; (2) allowable per pupil square footage allowances; (3) costs per square foot; and (4) the applicable State cost share. Any project costs that exceed the maximum State allocation for a project are paid by the local government.

Built to Learn Program

Chapter 20 of 2020 established the Built to Learn program, which authorizes the Maryland Stadium Authority to issue up to \$2.2 billion in revenue bonds, backed by annual payments from the Education Trust Fund beginning in fiscal 2022, for public school construction projects in the State. The funding supplements State funding for school construction from other sources, including the Public School Construction Program. Subject to Maryland Stadium Authority approval, the Interagency Commission on School Construction must approve State reimbursement of eligible costs for projects that begin construction on or after the Act's effective date; identical to the Public School Construction Program, local governments are responsible for the local share of project costs based on the calculation of the maximum State allocation for each project.

Other Programs and Funds

The Capital Grant Program for Local School Systems With Significant Enrollment Growth or Relocatable Classrooms provides a minimum of \$40 million in annual supplemental grants to local education agencies with enrollment growth that exceeds 150% of the statewide average or more than 250 relocatable classrooms over a five-year period. Annual appropriations for the program have consistently exceeded the \$40 million mandate. Beginning in fiscal 2027, the mandate increases to \$80 million annually.

The purpose of the Healthy School Facility Fund is to provide grants to public primary and secondary schools in the State to improve the health of school facilities. In awarding grants from the fund, the Interagency Commission on School Construction must give priority based on the severity of issues in a school building. The mandated level of funding is at least \$40 million in fiscal 2023 and at least \$90 million for each of fiscal 2024 through 2026. At least 50% of funds must be awarded to projects in Baltimore City.

The School Construction Revolving Loan Fund provides low- or no-interest loans to local governments to forward fund the local or State share of school construction projects. The Governor is required to include in the annual budget bill at least \$40 million for the fund in fiscal 2023, \$20 million in fiscal 2024, and \$10 million in each of fiscal 2025 and 2026, after which the loan fund is expected to be self-sustaining.

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.

The Nancy K. Kopp Public School Facilities Priority Fund was created to address the facility needs of the highest priority schools identified by a statewide facilities assessment

completed by the Interagency Commission on School Construction. Mandated funding in the amount of \$80 million annually begins in fiscal 2027.

Additional Information

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

Chapter 16. Library State Aid

Libraries are primarily a local function with most of their funding coming from county governments. County public library systems must be governed by a board of trustees; however, a charter county may establish a county library agency and grant it some or all of the powers of a board of trustees. The Maryland State Library Agency is statutorily charged with, among other things, providing leadership and guidance for the planning and coordinated development of library and information services in Maryland. Chapters 337 and 338 of 2017 established the Maryland State Library Agency as a separate agency, subject to the authority of, and overseen by, 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. Among the powers and duties of the State Library Agency is administration of federal and State funds appropriated to it by the State for library purposes.

The State supports 24 public library systems, representing 23 counties and Baltimore City, and the State Library Network, which includes the State Library Resource Center (within the Enoch Pratt Free Central Library in Baltimore City) and three regional resource centers. From fiscal 2019 to 2023, State funding for local libraries increased by 12.9%, as shown in **Exhibit 16.1**. The allocation of library aid in fiscal 2023 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 2019</u>	<u>FY 2023</u>	<u>Percent Change</u>
Library Aid Formula	\$38.9	\$44.7	14.8%
Baltimore City Expanded Operations	3.0	3.0	0.0%
State Library Resource Center	10.6	11.9	12.0%
Regional Resource Centers	7.7	9.0	17.2%
Other Library Network Programs	0.1	0.1	0.0%
Library Employee Retirement	18.9	20.8	9.9%
Total	\$79.2	\$89.4	12.9%

Source: Department of Legislative Services

Exhibit 16.2
Library Aid Programs
Fiscal 2023

County	Formula Aid	Retirement	Total Aid ¹	Per Capita Aid	Per Capita Ranking
Allegany	\$870,064	\$159,957	\$1,030,021	\$15	3
Anne Arundel	2,730,010	1,809,146	4,539,156	8	23
Baltimore City	6,652,374	2,570,706	12,223,080	21	1
Baltimore	7,356,824	2,620,117	9,976,941	12	11
Calvert	577,823	462,399	1,040,222	11	14
Caroline	361,035	135,227	496,262	15	4
Carroll	1,221,706	930,771	2,152,477	12	9
Cecil	924,738	508,439	1,433,177	14	5
Charles	1,328,051	581,829	1,909,880	11	13
Dorchester	343,877	85,247	429,124	13	8
Frederick	1,820,004	1,069,916	2,889,920	10	17
Garrett	181,705	121,209	302,914	11	16
Harford	2,029,523	1,182,455	3,211,978	12	10
Howard	1,163,110	2,194,404	3,357,514	10	18
Kent	118,903	71,484	190,387	10	19
Montgomery	3,717,214	2,119,750	5,836,964	6	24
Prince George's	8,729,041	2,362,012	11,091,053	12	12
Queen Anne's	200,629	193,080	393,709	8	22
St. Mary's	881,180	365,651	1,246,831	11	15
Somerset	323,613	76,700	400,313	16	2
Talbot	131,341	165,946	297,287	8	21
Washington	1,604,156	494,895	2,099,051	14	7
Wicomico	1,232,489	195,635	1,428,124	14	6
Worcester	183,610	299,892	483,502	9	20
Library Network	0	0	20,972,879	3	
Total	\$44,683,020	\$20,776,867	\$89,432,766	\$15	

¹ The total includes \$3.0 million in additional funding to support increased hours of operation in Baltimore City per Chapters 401 and 402 of 2021.

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 \$17.50 per resident in fiscal 2023, phasing up to \$19.10 per resident in fiscal 2027. 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 2023, State formula aid for libraries amounted to \$44.7 million. This represented a \$5.8 million, or 14.8%, increase since fiscal 2019 when State aid was \$38.9 million. The growth was due to increases in the per resident funding amount and in Maryland population. Per Chapters 401 and 402 of 2021 (and prior to that, Chapters 714 and 715 of 2016), Baltimore City also receives \$3.0 million annually to support expanded hours of operation throughout the library system, contingent upon Baltimore City providing a 25% annual (\$750,000) local funding match.

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 2023, 60% of \$17.50 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 (\$17.50 for fiscal 2023) 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 \$3.50 per county resident in fiscal 2023. In fiscal 2023, Howard, Montgomery, Talbot, and Worcester counties received the minimum State contribution. **Exhibit 16.3** shows the library formula calculation for fiscal 2023.

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.
- 2021 – Chapters 6 and 27 increased the per capita funding amount to \$17.10 beginning in fiscal 2022.
- 2022 – Chapters 496 and 497 increased the per capita funding amount to \$17.50 in fiscal 2023, phasing up to \$19.10 by fiscal 2027.

Legal Reference

Education Article, Sections 23-501 through 23-507

Exhibit 16.3
Library Aid Formula – Fiscal 2023

County	Population	Basic Program \$17.50 x Population	Wealth	Local Share¹ 0.0001137 x Wealth	Formula State Aid²	Min. State Aid \$3.50 x Population	State Aid³
Allegany	68,106	\$1,191,855	\$2,830,184,000	\$321,792	\$870,064	\$238,371	\$870,064
Anne Arundel	588,261	10,294,568	66,530,848,000	7,564,557	2,730,010	2,058,914	2,730,010
Baltimore City	585,708	10,249,890	31,640,420,000	3,597,516	6,652,374	2,049,978	6,652,374
Baltimore	854,535	14,954,363	66,820,929,000	7,597,540	7,356,824	2,990,873	7,356,824
Calvert	92,783	1,623,703	9,198,585,000	1,045,879	577,823	324,741	577,823
Caroline	33,293	582,628	1,948,927,000	221,593	361,035	116,526	361,035
Carroll	172,891	3,025,593	15,865,317,000	1,803,887	1,221,706	605,119	1,221,706
Cecil	103,725	1,815,188	7,831,571,000	890,450	924,738	363,038	924,738
Charles	166,617	2,915,798	13,964,346,000	1,587,746	1,328,051	583,160	1,328,051
Dorchester	32,531	569,293	1,982,546,000	225,415	343,877	113,859	343,877
Frederick	271,717	4,755,048	25,813,926,000	2,935,043	1,820,004	951,010	1,820,004
Garrett	28,806	504,105	2,835,540,000	322,401	181,705	100,821	181,705
Harford	260,924	4,566,170	22,310,004,000	2,536,647	2,029,523	913,234	2,029,523
Howard	332,317	5,815,548	40,938,322,000	4,654,687	1,160,861	1,163,110	1,163,110
Kent	19,198	335,965	1,909,079,000	217,062	118,903	67,193	118,903
Montgomery	1,062,061	18,586,068	139,515,180,000	15,862,876	2,723,192	3,717,214	3,717,214
Prince George's	967,201	16,926,018	72,093,024,000	8,196,977	8,729,041	3,385,204	8,729,041
Queen Anne's	49,874	872,795	5,911,750,000	672,166	200,629	174,559	200,629
St. Mary's	113,777	1,991,098	9,761,812,000	1,109,918	881,180	398,220	881,180
Somerset	24,620	430,850	943,163,000	107,238	323,613	86,170	323,613
Talbot	37,526	656,705	5,347,002,000	607,954	48,751	131,341	131,341
Washington	154,705	2,707,338	9,702,564,000	1,103,182	1,604,156	541,468	1,604,156
Wicomico	103,588	1,812,790	5,103,795,000	580,301	1,232,489	362,558	1,232,489
Worcester	52,460	918,050	9,483,847,000	1,078,313	-160,263	183,610	183,610
Total	6,177,224	\$108,101,427	\$570,282,681,000	\$64,841,141	\$43,260,286	\$21,620,284	\$44,683,020

¹ Local contribution rate equals the overall local share (60%) times the per capita program level (\$17.50) times the State population, divided by total State wealth.

² Equals basic program amount minus local share amount.

³ Equals the greater of formula State aid and minimum State aid. An additional \$3.0 million provided for Baltimore City for expanded library system operations is not shown.

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 library associate training and interlibrary loan services. These systems/programs receive State funding for operating expenses, and 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 2023, State funding was provided at \$1.93 per State resident, translating to \$11.9 million; the per resident amount increases to \$1.97 beginning in fiscal 2024.

In addition to the State center, regional resource centers serve Western Maryland (Hagerstown), Southern Maryland (Charlotte Hall), and the Eastern Shore (Salisbury). A region to be served by a regional resource center must have a population of at least 100,000. If possible, a library selected as a regional resource center must be the strongest library in the region and be located so as to be of greatest service to the entire region. The regional centers received State funding of \$9.19 per resident of the region in fiscal 2023, which totaled \$9.0 million, phasing up to \$9.99 per resident beginning in fiscal 2027.

Smaller amounts of additional funding are provided under the State library network to support library associate training and interlibrary loan services. Although there is no mandated funding level for these programs, the State provided a constant level of funding, \$34,605 for library associate training and \$29,479 for interlibrary loan services, from fiscal 2019 to 2023.

Operating funds for the State library network are appropriated annually in the Maryland State Library Agency 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 2023 operating funds for the State library network, totaling \$21.0 million. Overall, State aid for the State library network increased by 14.1% since fiscal 2019. State aid for the State Library Resource Center increased by 12.0%, State aid for the regional resource centers increased by 17.2%, and funding for library associate training and interlibrary loan services did not change.

Exhibit 16.4
State Library Network
Fiscal 2023 Appropriations

<u>Program</u>	<u>Appropriation</u>
State Library Resource Center	\$11,922,042
Regional Resource Centers	
Eastern Shore	3,244,897
Southern Maryland	3,429,496
Western Maryland	2,312,360
Library Associate Training	34,605
Interlibrary Loan Services	29,479
Total	\$20,972,879

Source: Department of Legislative Services

History of Major Changes

- 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.
- 2021 – Chapters 6 and 27 set State Library Resource Center funding at \$1.89 per resident for fiscal 2022, phasing up to \$1.97 annually per resident by fiscal 2024.
- 2022 – Chapters 496 and 497 increased per resident funding for regional resource centers to \$9.19 in fiscal 2023, phasing up to \$9.99 per resident by fiscal 2027.

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, library employees have remained in the Montgomery County retirement system, and the State pays employer retirement costs to the county. For additional information on the teachers' systems, 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 2023 library employee retirement aid, which totaled \$20.8 million, is shown in Exhibit 16.2, by county. This amounts to an increase of \$1.9 million compared to fiscal 2019.

Legal Reference

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

County Library Capital Project Grants

Chapter 494 of 2006 established a \$5.0 million per year State grant program for public library capital projects to begin in fiscal 2008. Chapters 6 and 27 of 2021 increased minimum annual funding to \$7.5 million beginning in fiscal 2022. 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, per

Chapter 512 of 2013, 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%. Chapters 362 and 363 of 2022, which are only effective for three years, terminating June 30, 2025, also allow for a specified adjustment to the State share percentage if a county's median household income is in the bottom quartile of the State and the State share percentage for a county library capital project would otherwise be the minimum (50%). A local public library system may apply for up to three capital project grants per year. Funding from fiscal 2008 through 2023 totaled \$82.3 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*.

Exhibit 16.5
Total Library Capital Grant Allocations
Fiscal 2008-2023
(\$ in Thousands)

County	Total Authorizations
Allegany	\$6,201.3
Anne Arundel	5,430.3
Baltimore City	4,640.1
Baltimore	4,398.2
Calvert	4,800.0
Caroline	1,157.6
Carroll	3,513.0
Cecil	4,372.6
Charles	841.0
Dorchester	191.1
Frederick	5,975.1
Garrett	0.0
Harford	3,882.5
Howard	5,819.7
Kent	627.0
Montgomery	6,640.0
Prince George's	4,413.2
Queen Anne's	3,955.0
St. Mary's	1,591.0
Somerset	5,472.9
Talbot	1,360.0
Washington	4,598.2
Wicomico	477.5
Worcester	1,967.7
Total	\$82,325.0

Source: Department of Legislative Services

Chapter 17. Community College State Aid

State Aid

Except for 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 Community College is operated by the State as a comprehensive urban community college; as a State agency, its funding is not considered State aid and is excluded from the analyses in this chapter.

In fiscal 2021, local community colleges received a total of \$1.5 billion in financial support: 27.1% from the State; 35.4% from county governments; 14.7% from the federal government (including for student Pell grants); and 2.9% from auxiliary enterprises and other miscellaneous revenue sources. Student tuition and fee payments and other service charges comprised the remaining 19.9% of community college funding. As shown in **Exhibit 17.1**, State funding for community colleges increased 35.3% from fiscal 2019 to 2023. **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 2019</u>	<u>FY 2023</u>	<u>Percent Change</u>
Cade Funding Formula	\$240.4	\$355.1	47.7%
Small College Grants	6.6	9.1	39.1%
Statewide Programs ¹	8.3	6.5	-22.4%
ESOL Grants	5.5	3.0	-45.3%
Regular Retirement Plan	44.1	45.0	2.1%
Optional Retirement Plan	16.7	16.7	-0.2%
Total	\$321.7	\$435.3	35.3%

ESOL: English for Speakers of Other Languages

¹ Funding includes the West Virginia/Garrett Reciprocity Grant and the Somerset Grant. Fiscal 2019 also includes \$2.0 million in one-time grants to community colleges that increased tuition by no more than 2% in the 2018-2019 academic year.

Source: Department of Legislative Services

Exhibit 17.2
Community College Aid Programs
Fiscal 2023

County	Formula Aid	Small Colleges	ESOL	Retirement	Total Aid
Allegany	\$7,288,256	\$1,577,401	\$0	\$1,899,419	\$10,765,076
Anne Arundel	40,788,521	0	195,912	6,769,931	47,754,364
Baltimore City	0	0	0	0	0
Baltimore	61,614,534	0	263,360	9,782,757	71,660,651
Calvert ²	4,846,745	0	10,610	709,522	5,566,877
Caroline ¹	1,794,864	270,681	12,821	289,287	2,367,653
Carroll	11,112,191	1,217,401	26,712	1,560,218	13,916,522
Cecil	7,336,220	1,217,401	40	916,978	9,470,639
Charles ²	8,924,534	0	19,536	1,306,476	10,250,546
Dorchester ¹	1,361,933	205,391	9,729	219,509	1,796,562
Frederick	16,429,151	0	137,264	2,724,819	19,291,234
Garrett	3,835,348	1,457,401	0	560,319	5,853,068
Harford	16,841,913	0	11,277	3,109,409	19,962,599
Howard	29,624,948	0	209,576	4,743,609	34,578,133
Kent ¹	540,585	81,525	3,862	87,129	713,101
Montgomery	66,059,823	0	1,345,112	14,205,085	81,610,020
Prince George's	42,695,054	0	675,216	7,711,238	51,081,508
Queen Anne's ¹	2,353,370	354,909	16,811	379,305	3,104,395
St. Mary's ²	5,970,654	0	13,070	874,053	6,857,777
Somerset ³	1,252,014	140,109	3,094	185,251	1,580,468
Talbot ¹	2,021,735	304,895	14,442	325,853	2,666,925
Washington	12,742,336	1,217,401	34,096	1,889,705	15,883,538
Wicomico ³	6,783,732	759,145	16,767	1,003,738	8,563,382
Worcester ³	2,842,976	318,148	7,027	420,654	3,588,805
Statewide	0	0	0	0	6,460,458
Total	\$355,061,437	\$9,121,808	\$3,026,334	\$61,674,265	\$435,344,301

ESOL: English for Speakers of Other Languages

Regional Community Colleges: ¹Chesapeake College; ²College of Southern Maryland; ³Wor-Wic Community College

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. In addition, a July 2020 Board of Public Works action reduced Cade formula funding in fiscal 2021, but the funding was restored in fiscal 2022 and 2023. The statutory percentage used in the formula for fiscal 2023 funding was 29%. State aid through the Cade formula totaled \$355.1 million in fiscal 2023, representing a 47.7% increase over fiscal 2019 funding. The distribution of Cade formula funding is detailed in *Volume IX – Education in Maryland*.

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 or certain hold harmless funding under the Cade formula.

Legal Reference

Education Article, Sections 16-305, 16-308, and 16-309

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 and those that elected to transfer from the retirement system to the pension system. 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, as an alternative to the defined benefit plans, for faculty and certain employees of public higher education institutions (including faculty and professional employees of community colleges). Under this program, the State makes contributions, on behalf of the employee, toward investment products whose performance determines the amount available to the employee upon retirement.

Fiscal 2023 State funding for regular retirement (defined benefit) and optional retirement (defined contribution) amounted to \$45.0 million and \$16.7 million, respectively; allocation of the total \$61.7 million is shown in Exhibit 17.2. For more information on the teachers' systems 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

Other Community College Grant Programs

Community colleges receive additional support from several smaller grant programs. In fiscal 2023, the miscellaneous grant programs totaled \$18.6 million, an 8.9% decrease from fiscal 2019.

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, significantly increasing annual funding for four 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 and Chapter 192 of 2004 allow 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 \$9.1 million in fiscal 2023.

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 2023) pay the difference between in-county and out-of-county tuition rates for students enrolled in an instructional

program designated by the Maryland Higher Education Commission as a health manpower shortage program or a statewide or regional program. The West Virginia/Garrett Agreement (\$104,874) 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 (\$355,583) 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.

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. Fiscal 2023 State aid for the program totaled \$3.0 million.

Legal Reference

Education Article, Sections 16-305 and 16-310

Additional Information

For more information on the State's community colleges, see *Volume IX – Education in Maryland*.

Capital Project Funding

Community colleges received \$97.2 million in fiscal 2023 for construction and facilities renewal projects, including \$80.2 million through the Community College Construction Grant Program and \$17.0 million through the Community College Facilities Renewal Program. The \$17.0 million figure includes \$14.1 million in general funds from the Dedicated Purpose Account. **Exhibit 17.3** shows the distribution of funding to the colleges (but not including facilities renewal funding for Baltimore City Community College, which is operated by the State).

The Community College Construction Grant Program provides State assistance for construction and capital improvements at community colleges in accordance with provisions of the Education Article and regulations approved by the Board of Public Works. State support is based on the portion of a project that meets specified space eligibility requirements and on State/local cost-sharing in which the State contributes between 50% and 70% of the eligible costs of a project for the community colleges and 75% for regional community colleges. Construction funds may be used to acquire property and design, construct, renovate, or equip community college buildings and facilities.

Exhibit 17.3
Authorized Capital Funding for Community Colleges
Fiscal 2023
(\$ in Thousands)

College	Construction Grant Program	Facilities Renewal Grant Program	Total
Allegany	\$0	\$938	\$938
Anne Arundel	0	938	938
Baltimore	6,445	938	7,383
Carroll	3,251	1,357	4,608
Cecil	0	938	938
Chesapeake	903	1,357	2,260
Frederick	0	1,357	1,357
Garrett	0	1,357	1,357
Hagerstown	3,989	1,357	5,346
Harford	7,655	1,357	9,012
Howard	14,794	1,357	16,151
Montgomery	10,532	938	11,470
Prince George's	18,000	938	18,938
Southern Maryland	3,104	938	4,042
Wor-Wic	11,525	938	12,463
Total	\$80,198	\$16,996	\$97,194

Source: Department of Legislative Services

Established by Chapters 687 and 688 of 2018, the Community College Facilities Renewal Program provides grants for eligible facility renewal projects at Maryland's 16 community colleges, including Baltimore City Community College. The nonmatching fund grants provided by the program are in addition to, and may not supplant, funds provided by the Community College Construction Grant Program. The Governor must annually fund the program in the operating or capital budget at an amount equal to 5.0% of the appropriation for the Community College Construction Grant Program.

Legal Reference

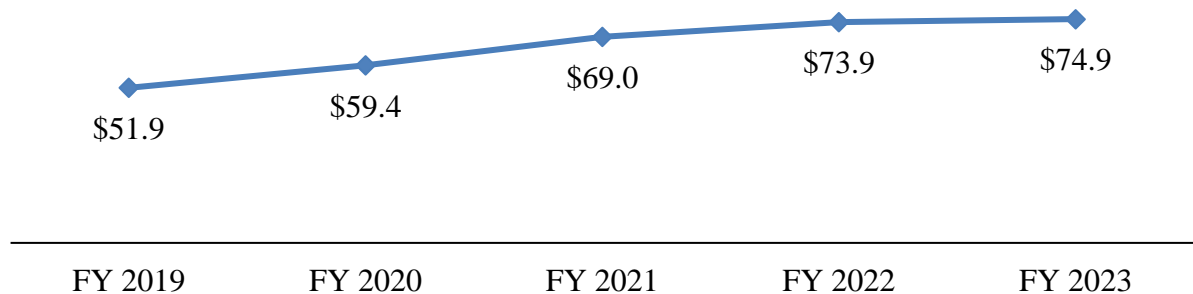
Education Article, Section 11-105(j) and 16-320

Chapter 18. Health State Aid

Core Public Health Services Program

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 Public Health Services Program. In fiscal 2023, State funding under the program will total \$74.9 million as illustrated in **Exhibit 18.1**.

Exhibit 18.1
Local Health Aid – Funding Trend
(\$ in Millions)



Source: Department of Legislative Services

The Core Public Health Services 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 minimum 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 minimum dollar amount – \$49.5 million – to be included in the State budget, and for fiscal 2019 through 2024 statute requires that the minimum amount provided be the amount provided through the formula for the preceding fiscal year adjusted for inflation and population growth. Chapter 805 of 2021 established a new base level of State funding for fiscal 2025 – \$70.0 million – and for

fiscal 2026 – \$80.0 million. In fiscal 2027 and each subsequent fiscal year, each county receives the greater of (1) the funding provided by the formula for the immediately preceding fiscal year or (2) the actual funds appropriated for the immediately preceding year adjusted for inflation and population growth.

Statute requires the Secretary of Health to adopt regulations to guide the distribution of funding, considering 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 10 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; (7) data management and exchange services regarding communicable diseases and other health matters, as allowed under federal and State law; (8) providing protective equipment for nurses, physician assistants, physicians, and other health care personnel in contact with patients; (9) providing equipment, medication, and other materials determined to be appropriate to prepare for potential communicable disease emergencies, or other public health emergencies; and (10) administration and communication services associated with the other listed services.

In addition to the minimum formula funding, the Core Public Health Services Program has also included added personnel-related funding and, in certain years, temporary or discretionary funding. In fiscal 2023, for example, the \$74.9 million in total funding consisted of \$55.9 million in minimum formula funding, \$11.4 million in added personnel-related funding, and \$7.6 million in discretionary funding.

A county-by-county allocation for fiscal 2023 is provided in **Exhibit 18.2**.

Exhibit 18.2
Local Health Grants
Fiscal 2023

County	Total Aid	Per Capita Aid	Per Capita Ranking
Allegany	\$2,490,556	\$37	6
Anne Arundel	5,970,112	10	20
Baltimore City	10,689,789	19	13
Baltimore	6,953,868	8	23
Calvert	1,117,995	12	18
Caroline	1,258,274	38	5
Carroll	2,953,505	17	14
Cecil	2,048,658	20	11
Charles	2,395,763	14	16
Dorchester	1,290,935	40	4
Frederick	3,305,130	12	19
Garrett	1,347,343	47	2
Harford	3,717,364	14	17
Howard	2,966,521	9	21
Kent	1,290,210	67	1
Montgomery	5,171,831	5	24
Prince George's	8,217,300	9	22
Queen Anne's	1,019,998	20	10
St. Mary's	1,674,871	15	15
Somerset	1,138,934	46	3
Talbot	891,729	24	8
Washington	3,053,020	20	12
Wicomico	2,412,893	23	9
Worcester	1,519,043	29	7
Total	\$74,895,642	\$12	

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. After limited or no funding growth for a number of years after fiscal 2010, funding amounts have increased by a greater amount in recent years, partially due to temporary and discretionary funding, reaching \$74.9 million in fiscal 2023.

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 the 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.

- 2021 – Chapter 805 of 2021 established new base levels of State funding for the local health formula in fiscal 2025 and 2026, \$70.0 million and \$80.0 million, respectively. Beginning in fiscal 2027, State funding must be the greater of (1) the funding provided by the formula for the immediately preceding fiscal year or (2) the actual funds appropriated for the immediately preceding year adjusted for inflation and population growth. Chapter 805 also expanded the permitted uses of the funding.

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 within the community. The State may fund up to 90% of the cost of projects designated as eligible for poverty area funding and up to 75% of the cost of other projects. The fiscal 2023 capital budget included \$6.5 million in general obligation bonds for the program.

Federally Qualified Health Centers Grant Program

Federally Qualified Health Centers are health care centers that provide comprehensive primary, preventive, and specialty health care services in medically underserved areas to all individuals regardless of insurance status or their ability to pay. The Federally Qualified Health Centers Grant Program provides State grants 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 State may fund up to 90% of the cost of projects designated as eligible for poverty area funding and up to 75% of the cost of other projects. In fiscal 2023, \$3.5 million was budgeted for the program, comprised of \$2.5 million in general obligation bonds and \$1.0 million in general funds.

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 the State's major highways and roads outside of Baltimore City, owns and operates toll facilities, 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 within the city, apart from roads/highways adjacent to and including toll facilities (parts of I-95, I-695, I-895) that are maintained by the Maryland Transportation Authority. In addition, Montgomery and Prince George's counties augment the Washington metropolitan area mass transit system, and several other local governments provide transit services.

In fiscal 2023, local governments received \$276.5 million in State aid from highway user revenues. Of this amount, county governments will receive \$65.5 million, municipal governments will receive \$41.0 million, and Baltimore City will receive \$170.0 million. Local governments also received \$4.3 million in elderly/disabled grants and \$1.4 million in paratransit grants. **Exhibit 19.1** illustrates how State aid to local governments for transportation purposes increased by 14.2% between fiscal 2019 and 2023. **Exhibit 19.2** shows the amount of State aid for local transportation programs in each county, including municipalities, and Baltimore City in fiscal 2023. For more information about the relationship between State and local transportation programs, see *Volume II – Government Services in Maryland*.

Exhibit 19.1
Transportation Aid Programs – Funding Trend
Fiscal 2019 and 2023
(\$ in Millions)

<u>Aid Program</u>	<u>2019</u>	<u>2023</u>	<u>Difference</u>	<u>Percent Difference</u>
Highway User Revenues	\$183.3	\$276.5	\$93.2	50.8%
County Transportation Grants ¹	35.5	0.0	-35.5	-100.0%
Municipal Transportation Grants ¹	22.5	0.0	-22.5	-100.0%
Elderly/Disabled Grants	4.4	4.3	-0.1	-1.6%
Paratransit Grants	1.5	1.4	-0.1	-6.1%
Total	\$247.2	\$282.2	\$35.1	14.2%

¹ These discretionary grants supplemented highway user revenue funding in lieu of increasing the statutory local share of highway user revenue funding but were discontinued in fiscal 2020 when highway user revenue funding was increased under Chapters 330 and 331 of 2018 (discussed below).

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.

Exhibit 19.2
Transportation Aid Programs
Fiscal 2023

County	Highway User Revenues	Elderly/ Disabled	Paratransit	Total Aid	Per Capita Aid	Per Capita Ranking
Allegany	\$3,007,455	\$141,544	\$0	\$3,148,999	\$46	8
Anne Arundel	8,743,265	245,966	117,351	9,106,582	15	21
Baltimore City	169,996,909	379,335	0	170,376,244	296	1
Baltimore	9,626,330	395,836	0	10,022,166	12	24
Calvert	2,036,739	127,003	76,099	2,239,841	24	16
Caroline	1,699,246	0	0	1,699,246	51	5
Carroll	5,027,271	151,029	0	5,178,300	30	13
Cecil	2,724,946	134,073	0	2,859,019	28	15
Charles	3,044,986	137,609	0	3,182,595	19	19
Dorchester	1,947,846	122,724	50,000	2,120,570	65	3
Frederick	8,103,275	159,159	0	8,262,434	30	14
Garrett	1,867,626	119,664	0	1,987,290	69	2
Harford	5,245,609	170,371	0	5,415,980	21	18
Howard	3,874,013	162,520	430,000	4,466,533	13	23
Kent	963,065	0	0	963,065	50	7
Montgomery	15,331,632	379,107	0	15,710,739	15	22
Prince George's	15,671,693	332,819	450,000	16,454,512	17	20
Queen Anne's	1,584,795	122,064	0	1,706,859	34	11
St. Mary's	2,114,929	131,054	135,000	2,380,983	21	17
Somerset	968,903	117,447	0	1,086,350	44	9
Talbot	1,927,201	360,652	40,000	2,327,853	62	4
Washington	4,630,184	146,917	0	4,777,101	31	12
Wicomico	3,817,812	142,040	110,000	4,069,852	39	10
Worcester	2,545,270	126,975	0	2,672,245	50	6
Total	\$276,501,000	\$4,305,908	\$1,408,450	\$282,215,358	\$46	

Source: Department of Legislative Services

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, \$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.

Chapters 330 and 331 of 2018 increased the local government share of highway user revenues for fiscal 2020 through 2024 and altered the manner in which the revenues are distributed to the local governments. Instead of the revenues being directly distributed to the local governments from the Gasoline and Motor Vehicle Revenue Account, the legislation requires 100% of the funds in the account to be retained by the Transportation Trust Fund beginning in fiscal 2020 and requires the Maryland Department of Transportation to provide capital transportation grants to local governments equivalent to specified percentages of revenues credited to the Gasoline and Motor Vehicle Revenue Account. Under Chapters 330 and 331, the percentages for fiscal 2020 through 2024 were Baltimore City (8.3%), counties (3.2%), and municipalities (2.0%). For comparison, in fiscal 2019, the percentages of revenues directly distributed to the local governments from the Gasoline and Motor Vehicle Revenue Account were Baltimore City (7.7%), counties (1.5%), and municipalities (0.4%). The capital grants continue to be considered highway user revenues.

Under Chapters 330 and 331, after fiscal 2024, the percentages used to determine the capital grant amounts would have reverted back to the level of the fiscal 2019 direct distribution percentages mentioned above; however, Chapter 240 of 2022 was enacted, which, beginning in fiscal 2024, increases the percentages above those established by Chapters 330 and 331. For fiscal 2024, capital grants equivalent to 15.6% of the revenue allocated to the Gasoline and Motor Vehicle Revenue Account must be provided to local governments as follows: Baltimore City (9.5%); counties (3.7%); and municipalities (2.4%). Under Chapter 240, these percentages increase for fiscal 2025 through 2027. Beginning in fiscal 2028, the percentages revert to the fiscal 2024 level. Chapter 240 also increased the portion of the corporate income tax credited to the Gasoline and Motor Vehicle Revenue Account, further increasing highway user revenues for

local governments and offsetting some of the impact on the Maryland Department of Transportation. The combined effect of the increased distribution to local governments and the increased share of the corporate income tax credited to the Gasoline and Motor Vehicle Revenue Account under Chapter 240 of 2022 provides an estimated increase in capital grant funding to local governments, relative to the law under Chapters 330 and 331 of \$52 million in fiscal 2024, \$190 million in fiscal 2025, \$242 million in fiscal 2026, and \$246 million in fiscal 2027.

Exhibit 19.3 illustrates the mandated capital grant amounts for fiscal 2020 through 2023. **Exhibit 19.4** shows the percentages used to determine the capital grants amounts for fiscal 2023 through 2028, accounting for the changes made under Chapter 240 of 2022.

Exhibit 19.3
Highway User Revenues Capital Grants
Fiscal 2020-2023
(\$ in Millions)

	<u>Percentage</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Baltimore City	8.3%	\$145.8	\$160.0	\$163.8	\$170.0
Counties	3.2%	56.2	61.7	63.1	65.5
Municipalities	2.0%	35.1	38.6	39.5	41.0
Total	13.5%	\$237.2	\$260.2	\$266.3	\$276.5

Source: Department of Legislative Services

Exhibit 19.4
Local Share of Highway User Revenues
Fiscal 2023-2028

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
MDOT	86.5%	84.4%	82.0%	80.0%	80.0%	84.4%
Baltimore City	8.3%	9.5%	11.0%	12.2%	12.2%	9.5%
Counties	3.2%	3.7%	4.3%	4.8%	4.8%	3.7%
Municipalities	2.0%	2.4%	2.7%	3.0%	3.0%	2.4%

MDOT: Maryland Department of Transportation

Note: The distribution in fiscal 2028 continues in future fiscal years.

Source: Department of Legislative Services

Baltimore City receives a larger share of highway user revenues because the State does not conduct highway maintenance or construction in Baltimore City (apart from the Maryland Transportation Authority's responsibility for highways/roads adjacent to and including toll facilities) as it does in other jurisdictions. 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 19.5** shows the local highway user revenue distribution to counties in fiscal 2023, and **Exhibit 19.6** shows the local highway user revenue distribution to municipalities in fiscal 2023.

Exhibit 19.5
Highway User Revenues – County Distribution
Fiscal 2023

County	A Road Mileage (2021)	C % of Road Mileage	D 50% Based on Road Mileage	F Vehicle Registration (2021)	G % of Total Registration	H 50% Based on Vehicle Registration	I Total Aid Distribution
Allegany	530.8	2.45%	\$802,208	39,401	0.98%	\$321,290	\$1,123,499
Anne Arundel	1,800.8	8.31%	2,721,817	529,674	13.18%	4,319,159	7,040,976
Baltimore City	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Baltimore	2,713.7	12.52%	4,101,645	677,512	16.86%	5,524,685	9,626,330
Calvert	544.6	2.51%	823,208	85,862	2.14%	700,151	1,523,359
Caroline	475.9	2.20%	719,364	27,995	0.70%	228,282	947,646
Carroll	990.1	4.57%	1,496,514	141,638	3.52%	1,154,969	2,651,483
Cecil	610.4	2.82%	922,648	75,574	1.88%	616,259	1,538,907
Charles	790.8	3.65%	1,195,305	143,442	3.57%	1,169,679	2,364,985
Dorchester	569.6	2.63%	860,963	20,346	0.51%	165,909	1,026,872
Frederick	1,307.9	6.03%	1,976,779	162,270	4.04%	1,323,210	3,299,989
Garrett	683.2	3.15%	1,032,579	26,166	0.65%	213,367	1,245,947
Harford	1,068.0	4.93%	1,614,220	208,837	5.20%	1,702,935	3,317,154
Howard	1,058.7	4.88%	1,600,125	278,855	6.94%	2,273,887	3,874,013
Kent	272.4	1.26%	411,649	14,983	0.37%	122,177	533,826
Montgomery	2,337.6	10.78%	3,533,239	645,991	16.07%	5,267,651	8,800,890
Prince George's	1,883.9	8.69%	2,847,421	532,489	13.25%	4,342,113	7,189,535
Queen Anne's	553.8	2.55%	837,055	51,781	1.29%	422,242	1,259,296
St. Mary's	643.2	2.97%	972,109	112,635	2.80%	918,468	1,890,577
Somerset	350.8	1.62%	530,248	16,450	0.41%	134,139	664,387
Talbot	371.8	1.71%	562,000	24,811	0.62%	202,318	764,319
Washington	842.1	3.88%	1,272,728	99,366	2.47%	810,267	2,082,995
Wicomico	695.3	3.21%	1,050,839	61,399	1.53%	500,670	1,551,509
Worcester	586.1	2.70%	885,826	41,286	1.03%	336,661	1,222,488
Total	21,681.5	100.00%	\$32,770,489	4,018,763	100.00%	\$32,770,489	\$65,540,978
	B			E			

Total Amount Available = \$65,540,978

50% Based on Road Mileage = \$32,770,489; 50% Based on Vehicle Registration = \$32,770,489

C = A/B D = C x \$32,770,489 G = F/E H = G x \$32,770,489 I = D + H

Source: Maryland Department of Transportation; Department of Legislative Services

Exhibit 19.6
Highway User Revenues – Municipal Distribution
Fiscal 2023

County	Road Mileage (2021)	Vehicle Registration (2021)	Total Aid Distribution
Allegany	194.2	19,931	\$1,883,956
Anne Arundel	89.5	40,253	1,702,289
Baltimore City	0.0	0	0
Baltimore	0.0	0	0
Calvert	24.2	12,853	513,380
Caroline	65.8	10,979	751,600
Carroll	181.2	41,619	2,375,788
Cecil	86.1	21,905	1,186,039
Charles	48.2	12,861	680,001
Dorchester	83.1	12,813	920,974
Frederick	332.8	92,817	4,803,286
Garrett	65.5	6,215	621,679
Harford	138.6	35,971	1,928,455
Howard	0.0	0	0
Kent	36.0	6,686	429,241
Montgomery	365.4	148,722	6,530,741
Prince George's	554.3	172,559	8,482,159
Queen Anne's	19.7	7,030	325,498
St. Mary's	16.8	4,022	224,352
Somerset	28.5	3,975	304,516
Talbot	95.0	18,754	1,162,882
Washington	205.2	41,797	2,547,189
Wicomico	201.1	32,392	2,266,303
Worcester	118.4	18,655	1,322,783
Total	2,949.5	762,809	\$40,963,111

Source: Maryland Department of Transportation; Department of Legislative Services

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 share of the 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 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.

History of Major Changes

The distribution of highway user revenues has changed significantly over the past 55 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:
- 60% – State;
 - 20% – Baltimore City; and
 - 20% – Counties and municipalities.
- 1971 – Maryland Department of Transportation established, and highway user revenues redistributed:
- 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:
- 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 2023:
- 8.3% – Baltimore City; and
 - 5.2% – Counties and municipalities.
- 2022 – Chapter 240 of 2022 increased the local government share of Gasoline and Motor Vehicle Revenue Account revenues, beginning in fiscal 2024. For fiscal 2024, capital

grants equivalent to 15.6% of the revenue allocated to the Gasoline and Motor Vehicle Revenue Account must be provided to local governments as follows: Baltimore City (9.5%); counties (3.7%); and municipalities (2.4%). These distributions increase for fiscal 2025 through 2027. Beginning in fiscal 2028, the distributions revert to the fiscal 2024 distribution. In addition, the legislation increased the portion of the corporate income tax credited to the Gasoline and Motor Vehicle Revenue Account.

Legal Reference

Transportation Article, Title 8, Subtitle 4

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 2023 State budget included \$4.3 million for this program. Chapter 416 of 2022 establishes \$4.3 million as the minimum funding level for the program in fiscal 2024 and requires that minimum funding amount to be adjusted for inflation in subsequent fiscal years.

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 2023 State budget included \$1.4 million for this program.

Legal Reference

Transportation Article, Section 2-103.5

Chapter 20. Public Safety State Aid

Public Safety Aid Programs

Local governments assume the primary responsibility for most public safety services in Maryland. County and municipal governments spent \$4.8 billion on public safety services in fiscal 2021, accounting for 12.2% of county spending and 24.0% of municipal spending. Public safety is the second largest component of both county and municipal spending. To help local governments fund public safety services, the State provided \$250.8 million in financial assistance in fiscal 2023. Most of this funding is targeted to police protection and crime reduction, with funding also provided for fire protection and 9-1-1 systems. From fiscal 2019 to 2023, State funding for local public safety agencies increased by 89.6%, as shown in **Exhibit 20.1**, largely due to enhanced police aid to address violent crime, new targeted crime grant programs, and increased funding for 9-1-1 systems. The allocation of public safety aid in fiscal 2023 for each county is provided in **Exhibit 20.2**.

Exhibit 20.1
Public Safety Aid Programs – Funding Trend
(\$ in Millions)

<u>Aid Program</u>	<u>FY 2019</u>	<u>FY 2023</u>	<u>Difference</u>	<u>Percent Difference</u>
Police Aid Formula	\$74.5	\$76.6	\$2.2	2.9%
Police Aid Enhancement	0.0	45.9	45.9	n/a
Targeted Crime Grants	28.0	53.4	25.4	90.8%
Vehicle Theft Prevention	1.8	1.9	0.0	2.5%
Fire Aid Formula	15.0	15.0	0.0	0.0%
9-1-1 Emergency Grant	13.0	58.0	45.0	346.3%
Total	\$132.3	\$250.8	\$118.6	89.6%

n/a: not applicable

Source: Department of Legislative Services

Exhibit 20.2
Public Safety Aid Programs by County
Fiscal 2023

County	Police Aid Formula	Police Aid Enhancement	Fire Aid	Targeted/ Other	Total Aid	Per Capita Aid	Per Capita Ranking
Allegany	\$823,554	\$428,612	\$349,950	\$0	\$1,602,116	\$24	9
Anne Arundel	9,074,472	3,371,374	1,241,276	0	13,687,122	23	11
Baltimore City	0	17,589,776	1,329,247	18,505,679	37,424,702	65	1
Baltimore	13,059,880	7,097,141	1,692,787	0	21,849,808	26	7
Calvert	774,541	259,765	300,000	0	1,334,306	14	23
Caroline	336,696	116,894	307,230	0	760,820	23	12
Carroll	1,615,687	346,971	384,518	0	2,347,176	13	24
Cecil	987,938	504,686	309,000	0	1,801,624	17	18
Charles	1,425,871	1,001,949	387,806	0	2,815,626	17	19
Dorchester	357,523	384,081	329,070	0	1,070,674	33	2
Frederick	2,606,152	831,247	593,199	0	4,030,598	14	21
Garrett	213,454	118,750	300,000	0	632,204	22	13
Harford	2,905,844	762,595	561,407	0	4,229,846	16	20
Howard	5,005,985	736,618	617,432	0	6,360,035	19	15
Kent	186,744	48,242	311,040	0	546,026	28	4
Montgomery	16,282,482	3,265,612	1,935,478	0	21,483,572	20	14
Prince George's	15,665,883	5,865,114	1,695,516	4,652,699	27,879,212	29	3
Queen Anne's	433,102	174,413	300,000	0	907,515	18	16
St. Mary's	942,643	398,924	300,000	0	1,641,567	14	22
Somerset	228,948	133,593	309,660	0	672,201	27	6
Talbot	410,216	202,245	316,140	0	928,601	25	8
Washington	1,499,678	885,055	334,904	0	2,719,637	18	17
Wicomico	1,110,184	920,309	426,690	0	2,457,183	24	10
Worcester	686,391	434,178	367,650	0	1,488,219	28	5
Unallocated	0	0	0	90,169,069	90,169,069	15	
Total	\$76,633,868	\$45,878,144	\$15,000,000	\$113,327,447	\$250,839,459	\$41	

¹ Baltimore City does not receive funding under the police aid formula largely to offset the State's costs of the assumption of responsibility for detention facilities in the city. Baltimore City, however, was allocated a significant amount of police aid enhancement funding provided in fiscal 2023 to address violent crime (discussed below).

Source: Department of Legislative Services

Police Protection and Crime Reduction

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 2021, the most recent data available, county governments and Baltimore City spent \$2.0 billion on police protection, and municipal governments spent \$268.4 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 2023, State assistance to local law enforcement agencies via the police protection fund totaled \$122.5 million, consisting of \$76.6 million from the statutory formula and \$45.9 million in enhanced funding to address violent crime. Additionally, targeted crime grants totaled \$53.4 million in fiscal 2023. State assistance to local law enforcement agencies via the Vehicle Theft Prevention Program totaled \$1.9 million in fiscal 2023. Nearly all of these grants are administered by the Governor's Office of Crime Prevention, Youth, and Victim Services.

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. State Assumption of Local Functions" of this handbook for more information on State-assumed detention facilities in Baltimore City). 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. In fiscal 2023, however, Baltimore City received \$17.6 million under the enhanced police aid funding, which was allocated based on each jurisdiction's share of the total violent offenses committed in the State. Separate from the police aid formula, the Baltimore City Police Department also receives a direct police grant from the State that is included below under Targeted Crime Grants.

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 (now the Governor's Office of Crime Prevention, Youth, and Victim Services). **Exhibit 20.3** shows the allocation of police aid for each county in fiscal 2023. 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.

Legal Reference

Public Safety Article, Sections 4-501 through 4-509

Exhibit 20.3
State Aid for Police Protection (Statutory Formula and Enhancement)
Fiscal 2023

County	County Amount	Municipal Amount	Total
Allegany	\$384,374	\$867,792	\$1,252,166
Anne Arundel	10,917,926	1,527,921	12,445,846
Baltimore City	17,589,776	0	17,589,776
Baltimore	20,157,021	0	20,157,021
Calvert	934,732	99,574	1,034,306
Caroline	214,517	239,073	453,590
Carroll	1,075,757	886,901	1,962,658
Cecil	699,241	793,383	1,492,624
Charles	2,200,576	227,244	2,427,820
Dorchester	153,410	588,194	741,604
Frederick	1,442,056	1,995,343	3,437,399
Garrett	300,017	32,187	332,204
Harford	2,646,759	1,021,680	3,668,439
Howard	5,742,603	0	5,742,603
Kent	123,933	111,053	234,986
Montgomery	16,778,095	2,770,001	19,548,096
Prince George's	16,151,706	5,379,291	21,530,997
Queen Anne's	519,681	87,834	607,515
St. Mary's	1,319,367	22,200	1,341,567
Somerset	154,418	208,123	362,541
Talbot	161,351	451,110	612,461
Washington	1,135,957	1,248,776	2,384,733
Wicomico	685,786	1,344,707	2,030,493
Worcester	241,080	879,489	1,120,569
Total	\$101,730,138	\$20,781,876	\$122,512,013

Source: Governor's Office of Crime Prevention, Youth, and Victim Services

Targeted Crime Grants

State funding for targeted crime grants totaled \$53.4 million in fiscal 2023. The funding included \$18.5 million in targeted grants for Baltimore City and \$4.7 million in targeted grants for Prince George's County. This funding also included \$30.2 million for several statewide initiatives (*i.e.*, Maryland Criminal Intelligence Network, Internet Crimes Against Children Task Force, S.T.O.P. gun violence grants, police recruitment and retention, community program fund, day reporting centers, rape kit testing grants, domestic violence grants, law enforcement and correctional officers training grants, sex offender and compliance enforcement, and body armor grants). The fiscal 2023 budget includes funding for several new initiatives including a warrant apprehension grant for Baltimore City and grants to promote police accountability, support cross jurisdictional task forces, and purchase license plate readers for local police departments. **Exhibit 20.4** shows the level of State funding for these programs in fiscal 2023.

Legal Reference

Annual Budget Bill

Exhibit 20.4
Targeted Crime Grant Funding
Fiscal 2023

	<u>Aid Amount</u>	<u>Percent of Total</u>
Baltimore City		
Direct Police Grant	\$9,180,113	17.19%
Safe Streets	3,600,000	6.74%
Warrant Apprehension Grant	3,250,000	6.09%
State's Attorney's Office	1,760,355	3.30%
War Room	715,211	1.34%
Subtotal	\$18,505,679	34.66%
Prince George's County		
Violent Crime	\$2,292,489	4.29%
Drug Enforcement	1,214,610	2.27%
State's Attorney's Office	1,145,600	2.15%
Subtotal	\$4,652,699	8.71%
Statewide Initiatives		
Police Accountability	\$8,000,000	14.98%
Maryland Criminal Intelligence Network	6,723,865	12.59%
License Plate Reader Grant	5,000,000	9.36%
Rape Kit Testing Grant	3,500,000	6.55%
Internet Crimes Against Children	2,000,000	3.75%
Police Recruitment and Retention	1,300,000	2.43%
Cross Jurisdictional Task Forces	1,000,000	1.87%
Gun Violence Reduction	926,940	1.74%
Sex Offender Compliance Enforcement	728,916	1.37%
Community Program Fund	500,000	0.94%
Day Reporting Centers	270,000	0.51%
Domestic Violence	196,354	0.37%
Body Armor	49,088	0.09%
Training Grants	45,000	0.08%
Subtotal	\$30,240,163	56.63%
Total	\$53,398,541	100.00%

Source: Department of Legislative Services

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).

The Maryland Vehicle Theft Prevention Council, a unit within the Department of State Police, is statutorily charged with helping to prevent and deter theft of private passenger and commercial motor vehicles and related crime, including vandalism and theft of property from vehicles. The Vehicle Theft Prevention Program provides grants to law enforcement agencies, prosecutors' offices, community organizations, and others for the purpose of establishing vehicle theft prevention, deterrence, and educational programs, and enhancing investigation, 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 through this program totaled \$1.9 million in fiscal 2023. **Exhibit 20.5** shows the grants awarded for fiscal 2022.

Legal Reference

Public Safety Article, Sections 2-701 through 2-703
Transportation Article, Section 17-106

Exhibit 20.5
Vehicle Theft Prevention Program
Fiscal 2022 Allocation

Anne Arundel County	
Anne Arundel County Police Department	\$60,000
Annapolis City Police Department	22,000
Baltimore City	
Baltimore City State's Attorney	53,000
Community Conferencing Center	30,000
Northwest Citizens' Patrol Group	30,000
Baltimore County	
Baltimore County Police Department	410,000
Baltimore County State's Attorney	120,000
Charles County	
Charles County Sheriff's Office	30,000
Harford County	
Harford County Sheriff's Office	20,000
Howard County	
Howard County Police Department	70,000
Montgomery County	
Montgomery County Police Department	116,000
Prince George's County	
Prince George's County Police Department	400,000
Prince George's County State's Attorney's Office	141,000
Olde Mill Foundation	30,000
Maryland State Agencies	
State Police – Auto Theft Unit	125,000
Maryland Community Crime Prevention Institute	22,000
Vehicle Theft Prevention Council (Public Awareness Committee)	50,000
Motor Vehicle Administration	45,000
Other	
Industry Merged with Police Against Car Theft (IMPACT)	40,000
Washington College	55,000
Total	\$1,869,000

Source: Maryland Vehicle Theft Prevention Council, 2021 Annual Report

Senator Amoss Fire, Rescue, and Ambulance Fund (Fire Aid Formula)

Funding for fire protection in Maryland comes from fundraising by individual fire companies, local government contributions, and State and federal grants. In fiscal 2021, county governments and Baltimore City spent \$1.4 billion on fire protection, and municipal governments spent \$62.3 million. The State provides formula grants to counties for distribution to local and volunteer fire, rescue, and ambulance services (including those located in municipalities) 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 (which was reestablished as the Maryland Department of Emergency Management in 2021). Although the statute specifies the distribution of the funds, the amount available for distribution depends upon the amount provided in the annual State budget. The fund receives funding from the Maryland Emergency Medical System Operations Fund, which receives revenues from a surcharge on vehicle registrations.

Annual appropriations totaled \$10.0 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 \$15.0 million by fiscal 2017. Fiscal 2017 funding did, in fact, total \$15.0 million and has remained at that level through fiscal 2023.

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. Counties are required to distribute a certain portion of the funds received to fire, rescue, and ambulance companies, departments, or stations located in qualified municipalities (those whose expenditures for fire protection from municipal sources exceed \$25,000). Each county is guaranteed a minimum 2% share of the total funds, in addition to the amounts that are distributed to qualifying municipalities. Chapters 331 and 332 of 2013 require that each county (excluding Baltimore City) 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.

The grants must be allocated 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. 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. 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.

Legal Reference

Public Safety Article, Sections 8-101 through 8-106
Transportation Article, Section 13-955

9-1-1 Emergency Telephone System

Maryland's 9-1-1 emergency telephone system statute was enacted in 1979. Since then, various changes have been made to the law and the 9-1-1 systems in the State, particularly in recent years as the State and counties work to modernize the counties' 9-1-1 systems to provide Next Generation 9-1-1 Services (an environment that allows for improved utilization and processing of 9-1-1 communications, including voice calls, text, multimedia, and data, using Internet Protocol-based network connectivity). Under the law, counties receive funding from the 9-1-1 Trust Fund to operate, maintain, and enhance their 9-1-1 systems. The Maryland 9-1-1 Board is responsible for coordinating the enhancement of county 9-1-1 systems and administering, in coordination with the Secretary of Emergency Management, the distribution of funds from the 9-1-1 Trust Fund.

The 9-1-1 Trust Fund receives revenues from a State fee and county fee paid by subscribers to 9-1-1 accessible services (telephone or other communications services that provide 9-1-1 access). The State 9-1-1 fee is \$0.50 per month for each separate outbound call voice channel capacity (*e.g.*, phone line). Counties may impose a county 9-1-1 fee of up to \$0.75 per month for each separate outbound call voice channel capacity. However, if revenues attributable to the county 9-1-1 fee for a fiscal year are not enough to cover a county's operational costs for the 9-1-1 system for that fiscal year, the county may, for the following fiscal year, impose a county 9-1-1 fee above the \$0.75 limit that is sufficient to cover the county's projected operational costs for the system for that fiscal year. A \$0.60 "prepaid wireless E 9-1-1 fee" is also charged for each prepaid wireless service retail transaction. Revenues from the county fees and 75% of the revenues from the prepaid wireless E 9-1-1 fee are distributed to the counties for the maintenance and operation costs of their 9-1-1 systems, and revenues from the State fee and 25% of the revenues from the prepaid wireless E 9-1-1 fee may be used for enhancements to county 9-1-1 systems and certain maintenance, operations, and program costs.

State funding for county 9-1-1 systems (funding from the State 9-1-1 fee and 25% of the prepaid wireless E 9-1-1 fee) has increased significantly recently, from \$13.0 million in fiscal 2019 to \$58.0 million in fiscal 2023, after the enactment of Chapters 301 and 302 of 2019, which increased the State fee, allowed for higher county fees, and made the fees applicable to each separate outbound call voice channel capacity instead of each account.

Legal Reference

Public Safety Article, Sections 1-301 through 1-315

Local Jails and Detention Centers Capital 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 individuals 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 jails and 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 2023, the General Assembly authorized \$2.6 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*.

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 2023, local governments received \$11.1 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 \$308.7 million in funding for local projects identified in the fiscal 2023 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 from the fund 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 2023 budget included \$11.0 million in funding for those operation and maintenance costs, which is an increase of \$5.7 million over the fiscal 2019 amount.

Exhibit 21.1
Environment and Recreation Aid Programs – Funding Trend
Fiscal 2019 and 2023
(\$ in Millions)

<u>Aid Program</u>	<u>2019</u>	<u>2023</u>	<u>Difference</u>	<u>Percent Difference</u>
Wastewater Treatment – Nutrient Removal	\$5.3	\$11.0	\$5.7	106.5%
Critical Areas Grant	0.3	0.1	-0.1	-45.5%
Total	\$5.6	\$11.1	\$5.6	99.6%

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 counties and municipalities to defray administrative costs of the programs, under Section 8-1808 of the Natural Resources Article. In fiscal 2023, \$138,450 was budgeted for these grants.

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 2023 Capital Budget

<u>Program</u>	<u>Amount</u>
Program Open Space ¹	\$105,009,427
Chesapeake Bay Restoration Fund	93,056,000
Local Parks and Playgrounds Infrastructure	84,625,000
Comprehensive Flood Management Program	7,292,000
Waterway Improvement Fund	6,090,550
Community Parks and Playgrounds	5,000,000
Supplemental Assistance Program	3,000,000
Resiliency through Restoration Initiative	1,970,000
Water Supply Financial Assistance Program	1,427,000
Hazardous Substance Cleanup Program	777,000
Mining Remediation Program	500,000
Total	\$308,746,977

¹ Includes funding budgeted for Local Program Open Space projects (\$82,009,427), for the Baltimore City Direct Grant (\$6,000,000), and for a Druid Hill Park project under the Critical Maintenance Program (\$17,000,000).

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 6,700 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: Program Open Space is primarily funded with State transfer tax revenues, but bond proceeds and general funds have also been used to fund the program. The bond proceeds and general funds have replaced and repaid, respectively, portions of transfer tax

funding that was diverted away from Program Open Space and other transfer tax-funded programs in past years. Program Open Space also receives some federal funding.

The State transfer tax is 0.5% of the consideration paid for the transfer of real property, and Program Open Space receives the majority of transfer tax revenues. Statute requires that, after certain initial distributions for debt service and administrative costs, the transfer tax revenues are distributed according to the following percentages (“transfer tax formula”): (1) 76.15% to Program Open Space; (2) 17.05% to the Maryland Agricultural Land Preservation Foundation; (3) 5% to the Rural Legacy Program; and (4) 1.8% to the Heritage Conservation Fund.

The 76.15% distributed through the transfer tax formula to Program Open Space is subject to further required allocations among different uses, including State land acquisition and capital improvements for recreation and open space purposes, local government acquisition and development of land for recreation and open space purposes, and State forest and park operations. Subject to certain additional detail and distributions, in general, approximately 50% is allocated to State land acquisition and capital development, 30% is allocated to local government acquisition and development, and 20% is allocated to State forest and park operations.

In fiscal 2023, the local share of Program Open Space funding was \$82.0 million, which was comprised of \$66.1 million in transfer tax regular special funds, \$10.9 million in transfer tax overattainment special funds as a result of fiscal 2021 revenues exceeding the revenue estimate used to develop the fiscal 2021 budget, and \$5.0 million in transfer tax repayment general funds for prior year transfers to the general fund. In addition, from the State’s share of Program Open Space funding, Baltimore City received an additional \$6.0 million as a direct grant for park projects, which increases to \$10.0 million beginning in fiscal 2024 pursuant to Chapter 39 of 2022. Also, in fiscal 2023, \$17.0 million in general obligation bond funding under the Critical Maintenance Program is allocated to a local project, a Druid Hill Park project in Baltimore City. The Critical Maintenance Program funds Department of Natural Resources critical maintenance capital projects and receives a portion of the State’s share of Program Open Space funding, and, in fiscal 2023, additional general funds and general obligation bond funding.

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 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 overall and the local share of Program Open Space has evolved over time and has been affected by numerous budgetary actions. For example, 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, reducing the local share of Program Open Space. And as mentioned above, State transfer tax funding was diverted, primarily to the General Fund, in past years under budget reconciliation legislation, with portions of the diverted funding replaced or repaid by bond proceeds and general funds, respectively.

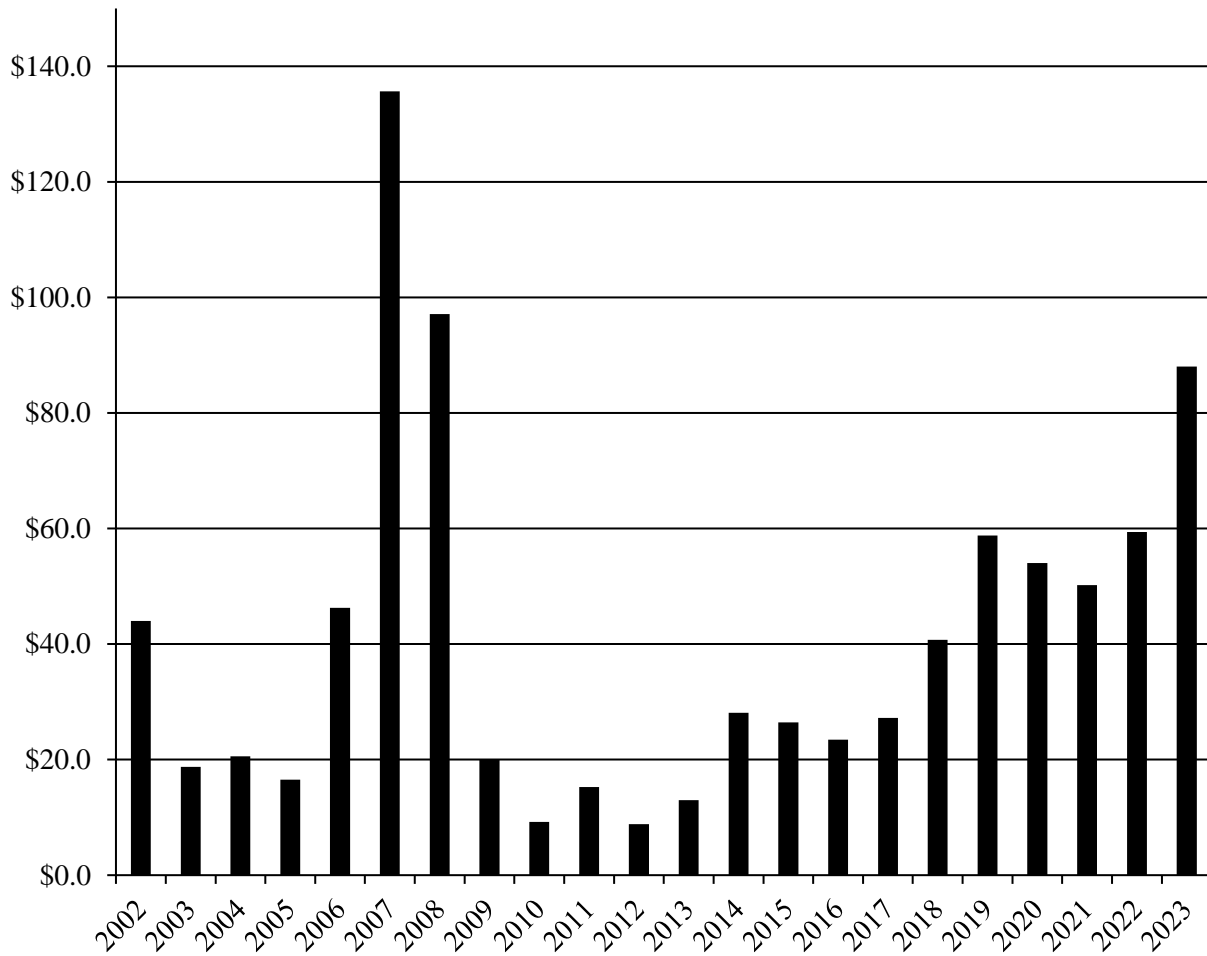
From fiscal 2002 through 2006, appropriations for the local share of Program Open Space funding plus the Baltimore City Direct Grant averaged \$29.2 million. In fiscal 2007 and 2008, the funding increased significantly to \$135.6 million and \$97.1 million, respectively (see **Exhibit 21.3**) due to transfer tax revenues generating a record amount of funding. However, from fiscal 2009 through 2017, funding decreased again, averaging \$19.1 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 2018 and 2023, the average amount available has increased to \$58.5 million, reaching \$88.0 million in fiscal 2023. This reflects the ending of transfers to the General Fund, increasing transfer tax revenues, increases in the Baltimore City Direct Grant amount, and repayment of prior year transfers.

Legal Reference:

Natural Resources Article, Title 5, Subtitle 9

Tax-Property Article, Section 13-209

Exhibit 21.3
Recent Local Program Open Space Funding¹
Fiscal 2002-2023
(\$ in Millions)



¹ For fiscal 2023, includes Local Program Open Space and Baltimore City Direct Grant funding only. Excludes \$17.0 million in Critical Maintenance Program funding for a Druid Hill Park project that is counted as Program Open Space funding above under Exhibit 21.2. The Critical Maintenance Program is not typically a source of funding for local projects.

Source: Department of Legislative Services

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, although no federal funding has been received since fiscal 2011 due to restrictive requirements attached to the federal funding. As of November 2021, the overall investment of the program since 1977 represented \$840 million of public investment. The foundation reported that the program had preserved approximately 340,000 acres of land. State funding budgeted for the program in fiscal 2023 totaled \$62.2 million, which was comprised of \$50.2 million in transfer tax regular special funds, \$8.3 million in transfer tax overattainment special funds as a result of fiscal 2021 revenues exceeding the revenue estimate used to develop the fiscal 2021 budget, and \$3.8 million in transfer tax repayment general funds for prior year transfers to the General Fund. Budgeted county funding totaled \$10.0 million.

Rural Legacy Program

The Rural Legacy Program, which began in 1998, provides funding to local governments and land trusts 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. From its inception through November 2021, the program has dedicated \$355.9 million to preserve

112,596 acres of farmland, forests, and natural areas. In fiscal 2023, \$26.4 million was budgeted for the program comprised of \$22.9 million in transfer tax regular special funds, \$2.4 million in transfer tax overattainment special funds as a result of fiscal 2021 revenues exceeding the revenue estimate used to develop the fiscal 2021 budget, and \$1.1 million in transfer tax repayment general funds for prior year transfers to the general fund.

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. In fiscal 2023, \$5.0 million in general funds in the Dedicated Purpose Account was provided for the program to fund 39 projects, subject to approval by the Board of Public Works. From the program's beginning through fiscal 2023, \$84.9 million has been provided under the program for 832 park and playground projects.

Local Parks and Playgrounds Infrastructure Program

The Local Parks and Playgrounds Infrastructure Program began as an \$85.0 million general obligation bond legislative initiative in fiscal 2022. In fiscal 2023, \$85.0 million in general obligation bonds was authorized for the program, which included a small amount for a State park project, resulting in \$84.6 million of the \$85.0 million being allocated for local projects. The program provides grants to the county administrative units managing local parks to acquire, design, construct, and capital equip indoor and outdoor park infrastructure and other capital-eligible projects that enhance recreational amenities including, but not limited to, trails, playgrounds, and recreational facilities. The funding is prohibited from being used for projects that are inaccessible to the general public; require memberships; exclude the public because of higher user fees; or include residential, or elaborate lodging facilities. The Department of Natural Resources is required to administer the funds in a similar manner as Program Open Space local grants for acquisition and development projects with the exception that the matching requirement is waived.

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 wastewater treatment plants; and the septic account provides funding for septic system upgrade grants and

the Maryland Department of Agriculture's Cover Crop Program. The fund is financed by a bay restoration fee of \$60 per year for most residential dwellings and a similar, proportional fee on nonresidential buildings (proportional based on water usage or wastewater generated in comparison to a typical dwelling unit). As of June 30, 2022, \$1.9 billion had been collected in fees from wastewater treatment plant and septic system users since the beginning of the fund.

Grants are provided to local governments from the wastewater account primarily for upgrading wastewater facilities to achieve enhanced nutrient removal. 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 major wastewater facilities (those with a design capacity of 500,000 gallons or more per day). As of July 2022, 65 of 67 prioritized major facilities had completed the upgrade to enhanced nutrient removal technology. Of the two remaining facilities, one facility was under construction and one facility was in planning. In addition, as of July 2022, a total of 35 minor facilities were undergoing the upgrade to enhanced nutrient removal technology: 10 facilities were in operation; 7 facilities were under construction; 7 facilities were in design; and 11 facilities were in planning.

The wastewater account has other authorized capital project uses, including sewer system projects, septic system upgrades, and stormwater control measures, but as of fiscal 2023, enhanced nutrient removal upgrades for minor wastewater facilities took priority for wastewater account capital funding. In addition, legislation enacted in 2021 – the Clean Water Commerce Act (Chapter 694 and 695) and the Tree Solutions Now Act (Chapter 645) – established mandated distributions from the Bay Restoration Fund for programs under those laws, which impacted the availability of funding for wastewater account projects.

Enhanced nutrient removal grants are the fund's primary expenditure, under the wastewater account, but funds are also dedicated to a separate account (the fee revenues collected from septic system users) 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.

In fiscal 2023, \$78.1 million was budgeted for the wastewater treatment plant program and \$15.0 million was 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 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. Funds may be distributed, among other means, through grants to local governments. The law expresses the General Assembly's 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, including up to 25% in matching funds to local governments and other political subdivisions that have enacted a stormwater remediation fee.

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 and peer-to-peer car sharing. Revenue generated for the fund has totaled just over \$50 million annually in recent years but declined to an extent during the COVID-19 pandemic due to the reduction of revenues from the sales and use tax on short-term vehicle rentals. The fiscal 2023 budget included \$46.7 million in planned expenditures from the fund, including \$19.9 million for competitive grants available to local governments and others for nonpoint source pollution control projects. Chapters 237 and 238 of 2022 expanded the scope of the uses of the fund by (1) requiring the encouragement and consideration of projects that provide co-benefits in addition to nonpoint source pollution reductions, such as restoration of aquatic resources, climate resilience, carbon sequestration, or other specified benefits; (2) allowing for the fund to be used to procure nutrient- or sediment-related environmental outcomes under a pay-for-success contract or other procurement method; and (3) requiring the encouragement and consideration of multi-year agreements that use a combination of funding sources to implement multiple projects or pay for environmental outcomes from multiple completed projects.

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 benefits, documented public health concerns, relative effectiveness of nutrient reduction to the Chesapeake Bay, compliance status, cost efficiency, and co-benefits including climate mitigation, adaptation and resiliency, and sustainability. The fund is administered by the Maryland Water Infrastructure Financing Administration (formerly the Maryland Water Quality Financing Administration) within the Maryland Department of the Environment. The uses of the fund under State law were recently expanded, pursuant to Chapter 292 of 2021 and Chapters 237 and 238 of 2022, to include additional loan purposes and financing arrangements, and technical assistance for rural, small, tribal, and disadvantaged communities and communities disproportionately burdened by environmental harms and risks.

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 2023, \$203.1 million was budgeted for this program, including \$12.0 million in general funds as federal

matching funding, \$106.9 million in special funds (loan repayments and interest), and \$84.1 million in federal funds.

Supplemental Assistance Program

The Supplemental Assistance Program provides grant assistance to local governments for planning, designing, and constructing wastewater treatment plant improvements; for connection of older communities with failing septic systems; for correction of combined sewer overflows and sanitary sewer overflows; and for correction of excessive infiltration and inflow throughout the State. Funds are targeted principally to two types of projects: (1) maintaining compliance at existing wastewater treatment plants; and (2) eliminating failing septic systems in older communities. Funds are directed principally to projects where local governments need a subsidy to undertake the needed water quality or public health project. This program is often used in conjunction with other sources of federal and State financial assistance to achieve project affordability. This program funds up to 87.5% of eligible costs for projects in small, lower-income jurisdictions, not to exceed \$1.5 million. In fiscal 2023, \$3.0 million in general obligation bonds was authorized 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. 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 Maryland Water Infrastructure Financing Administration within the Maryland Department of the Environment. Similar to the Maryland Water Quality Revolving Loan Fund, the uses of the fund under State law were recently expanded, pursuant to Chapters 237 and 238 of 2022, to include additional loan purposes and financing arrangements, specified assessment and planning/design grants, and technical assistance for rural, small, tribal, and disadvantaged communities and communities disproportionately burdened by environmental harms and risks.

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. In fiscal 2023, \$154.2 million was provided for the program, consisting of \$7.4 million in general funds as federal matching funding, \$17.5 million in special funds (loan repayments and interest), and \$129.4 million in federal funds.

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 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 Section 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. 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 2023, \$1.4 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 funding is used for grants and/or long-term, interest-free loans to local governments. In fiscal 2023, \$16.0 million in new funding was provided for the program, consisting of \$13.5 million in special funds and \$2.5 million in federal funds. Of that funding, \$6.1 million was designated for local capital projects in the fiscal 2023 capital budget.

Resiliency through Restoration Initiative Program (formerly the Coastal Resiliency Program)

The Coastal Resiliency Program was added to the Department of Natural Resources' capital program in fiscal 2018 and was renamed the Resiliency through Restoration Initiative Program in fiscal 2022. 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 2023, the Resiliency through Restoration Initiative Program was budgeted \$2.0 million in general obligation bonds for local capital projects.

Comprehensive Flood Management Program

The Comprehensive Flood Management Program was established in 1976 to promote the development of local flood management plans, fund studies of watersheds, and support capital

projects for flood control and watershed management. The program received general obligation bond funding between fiscal 1999 and 2003 and then again starting in fiscal 2020. Chapters 651 and 652 of 2019 authorized the Maryland Department of the Environment, under its existing program, to award grants to subdivisions that have incurred at least \$1.0 million in infrastructure damage caused by a flood event that occurred on or after January 1, 2009. The grants could be for an amount up to 50% of the combined cost of infrastructure repairs, watershed restoration, and emergency work associated with a flood event that may be equal to a certain amount of the total money appropriated to the grant program in specified fiscal years. Chapters 651 and 652 required the Governor to include an appropriation in the annual State budget for the program of at least \$3.0 million in fiscal 2021 and 2022, and at least \$2.0 million in fiscal 2023. In fiscal 2023, \$7.3 million in general obligation bonds was authorized for the program.

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). Programs that benefit local governments include the Jane E. Lawton Conservation Loan Program, the Maryland Smart Energy Communities Program, and the Low-to-Moderate Income Energy Efficiency Grant Program.

The Jane E. Lawton Conservation Loan Program provides financial assistance to State agencies, nonprofit organizations, local jurisdictions, and eligible businesses for energy efficiency and conservation projects. In fiscal 2023, \$1.7 million was expected to be available for the program.

The Maryland Smart Energy Communities Program is designed to encourage county and municipal governments to adopt policies that promote clean and renewable energy. Local governments can be eligible for grant funding to complete energy efficiency projects, renewable or clean energy projects, or sustainable transportation projects. In fiscal 2023, \$1.6 million was expected to be available for the program.

The Low-to-Moderate Income Energy Efficiency Grant Program provides funding for nonprofits and local governments for energy efficiency activities that benefit low- and moderate-income customers. In fiscal 2021, the program awarded 26 grants and had expenditures and encumbrances totaling \$6.5 million. In fiscal 2023, \$16.5 million was expected to be available for the program.

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 2023, \$777,000 in general funds was 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 Lands 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 2023, \$500,000 in general obligation bond funds was budgeted for the program.

Chapter 22. Miscellaneous State Aid

Twelve other State aid programs/grants provide local governments with assistance in a variety of areas. The largest program is the disparity grant, which provides funding to less affluent local governments. As shown in **Exhibit 22.1**, these 12 State aid programs/grants provided \$321.8 million to local governments in fiscal 2023, a 13.7% increase since fiscal 2019. **Exhibit 22.2** shows the aid allocation for each county. Capital programs administered by the Department of Housing and Community Development and the Maryland 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 2019</u>	<u>FY 2023</u>	<u>Difference</u>	<u>Percent Difference</u>
Disparity Grants	\$140.8	\$161.2	\$20.4	14.5%
Gaming Impact Grants	92.8	101.5	8.7	9.3%
Teacher Retirement Supplemental Grants	27.7	27.7	0.0	0.0%
Adult Education	7.9	8.0	0.1	1.7%
Local Voting System Grants	3.1	5.4	2.3	75.2%
Behavioral Health Crisis Response	0.0	5.0	5.0	n/a
Instant Bingo Grants	2.3	3.2	0.9	40.0%
PILOT Grants – Port Facilities	2.2	1.7	-0.5	-23.8%
PILOT Grants – Forest and Park Land	2.3	3.0	0.8	33.3%
Revenue Equity Program	3.3	3.9	0.6	18.9%
Senior Citizens Activities Centers	0.8	0.8	0.0	0.1%
State Center Redevelopment Plan	0.0	0.5	0.5	n/a
Total	\$283.0	\$321.8	\$38.8	13.7%

n/a: not applicable

PILOT: payment in lieu of tax

Source: Department of Legislative Services

Exhibit 22.2
Miscellaneous State Aid Programs by County
Fiscal 2023

County	Disparity Grants	Gaming Impact	Teacher Supplemental	Other Grants¹	Total Aid	Per Capita Aid	Per Capita Ranking
Allegany	\$7,298,505	\$2,710,468	\$1,632,106	\$971,711	\$12,612,790	\$186	3
Anne Arundel	0	29,211,952	0	75,000	29,286,952	50	11
Baltimore City	76,194,238	25,371,984	10,047,596	2,092,392	113,706,210	197	2
Baltimore	0	0	3,000,000	0	3,000,000	4	14
Calvert	0	0	0	3,150,000	3,150,000	34	12
Caroline	4,035,410	0	685,108	0	4,720,518	141	6
Carroll	0	0	0	0	0	0	16
Cecil	1,601,242	5,266,278	0	0	6,867,520	66	10
Charles	0	0	0	0	0	0	16
Dorchester	3,829,858	0	308,913	689,957	4,828,728	149	4
Frederick	0	0	0	0	0	0	16
Garrett	2,131,271	0	406,400	1,714,176	4,251,847	148	5
Harford	0	0	0	0	0	0	16
Howard	0	89,286	0	0	89,286	0	15
Kent	0	0	0	0	0	0	16
Montgomery	0	0	0	0	0	0	16
Prince George's	43,703,912	33,472,345	9,628,702	0	86,804,959	91	9
Queen Anne's	0	0	0	0	0	0	16
St. Mary's	0	0	0	0	0	0	16
Somerset	6,757,320	0	381,999	552,813	7,692,132	313	1
Talbot	0	0	0	0	0	0	16
Washington	3,834,282	0	0	0	3,834,282	25	13
Wicomico	11,831,757	0	1,567,837	0	13,399,594	129	7
Worcester	0	5,396,044	0	0	5,396,044	102	8
Unallocated	0	0	0	22,173,148	22,173,148	4	
Total	\$161,217,795	\$101,518,357	\$27,658,661	\$31,419,197	\$321,814,010	\$52	

PILOT: payment in lieu of tax

¹ Includes adult education grants (\$8,011,986), Behavioral Health Crisis Response grants (\$5,000,000), instant bingo grants (\$3,150,000), local voting system grants (\$5,372,337), PILOT – Forest and Park Land (\$3,023,708), PILOT – Port Facilities (\$1,667,392), Revenue Equity Program (\$3,928,657), senior activities center grants (\$765,117), and State Center Redevelopment Plan (\$500,000).

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.

Based on the statutory formula (see History of Major Changes, below, for the specifics), Baltimore City and nine counties (Allegany, Caroline, Cecil, Dorchester, Garrett, Prince George's, Somerset, Washington, and Wicomico) qualified for disparity grants in fiscal 2023. The fiscal 2023 budget included \$161.2 million for disparity grants, an increase of \$20.4 million from fiscal 2019. Of the \$161.2 million, \$15.4 million represents supplemental, hold harmless grants to bring funding levels up to the fiscal 2022 amounts for Baltimore City and Caroline, Cecil, Somerset, and Wicomico counties. **Exhibit 22.3** shows the formula calculation for the disparity grant program for fiscal 2023, excluding the \$15.4 million in hold harmless grants.

Exhibit 22.3
Disparity Grant Calculation for Fiscal 2023

County	Population Census 2020	Adjusted Income Tax Revenues	Per Capita Tax Yield	Per Capita Grant	Total Formula Amount	Fiscal 2010 Grant (Cap Amount)	Income Tax Effort (Floor Amount)	Fiscal 2023 Grant Amount	Net Effect of Cap/Floor Provisions	Percent Capped
Allegany	68,106	\$25,539,307	\$374.99	\$205.33	\$13,984,173	\$7,298,505	\$5,593,669	\$7,298,505	-\$6,685,668	47.8%
Anne Arundel	588,261	530,702,587	902.15	0.00	0	0	0	0	0	
Baltimore City	585,708	275,022,026	469.55	110.77	64,877,813	79,051,790	48,658,360	64,877,813	0	0.0%
Baltimore	854,535	626,381,353	733.01	0.00	0	0	0	0	0	
Calvert	92,783	78,106,112	841.81	0.00	0	0	0	0	0	
Caroline	33,293	14,909,241	447.82	132.50	4,411,453	2,131,782	3,308,590	3,308,590	-1,102,863	25.0%
Carroll	172,891	145,737,722	842.95	0.00	0	0	0	0	0	
Cecil	103,725	59,657,047	575.15	5.18	536,959	0	214,784	214,784	-322,175	60.0%
Charles	166,617	113,859,045	683.36	0.00	0	0	0	0	0	
Dorchester	32,531	13,772,012	423.35	156.97	5,106,477	2,022,690	3,829,857	3,829,857	-1,276,619	25.0%
Frederick	271,717	223,664,841	823.15	0.00	0	0	0	0	0	
Garrett	28,806	13,799,024	479.03	101.29	2,917,761	2,131,271	0	2,131,271	-786,490	27.0%
Harford	260,924	203,826,398	781.17	0.00	0	0	0	0	0	
Howard	332,317	375,859,747	1,131.03	0.00	0	0	0	0	0	
Kent	19,198	11,895,802	619.64	0.00	0	0	0	0	0	
Montgomery	1,062,061	1,232,763,597	1,160.73	0.00	0	0	0	0	0	
Prince George's	967,201	503,017,127	520.08	60.25	58,271,883	21,694,767	43,703,912	43,703,912	-14,567,971	25.0%
Queen Anne's	49,874	45,455,907	911.41	0.00	0	0	0	0	0	
St. Mary's	113,777	85,063,233	747.63	0.00	0	0	0	0	0	
Somerset	24,620	6,371,124	258.78	321.54	7,916,429	4,908,167	5,937,322	5,937,322	-1,979,107	25.0%
Talbot	37,526	33,427,039	890.77	0.00	0	0	0	0	0	
Washington	154,705	80,193,169	518.36	61.96	9,585,705	0	3,834,282	3,834,282	-5,751,423	60.0%
Wicomico	103,588	45,830,844	442.43	137.89	14,283,658	2,197,041	10,712,743	10,712,743	-3,570,914	25.0%
Worcester	52,460	34,859,457	664.50	0.00	0	0	0	0	0	
Total	6,177,224	\$4,779,713,760	\$773.76		\$181,892,309	\$121,436,013	\$125,793,519	\$145,849,079	-\$36,043,231	19.8%

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: (1) 20.0% of the uncapped grant amount if the local income tax rate was at least 2.8% but less than 3.0%; (2) 40.0% of the uncapped grant amount if the rate was at least 3.0% but less than 3.2%; or (3) 60.0% of the uncapped grant amount if the rate was at least 3.2%. Chapter 425 also 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.
- 2021 – Chapter 26 of 2021 increased the minimum grant amount from 67.5% to 75.0% for counties with a local income tax rate of 3.2%, for fiscal 2022 and future years. Chapters 17 and 23 of the 2021 special session authorized counties to impose more than one county income tax rate (applicable to different income brackets) beginning with the 2022 tax year and established similar criteria as those that apply to a county with a single rate, for counties that impose more than one county income tax rate to receive a minimum disparity grant amount: (1) 20.0% of the uncapped grant amount if each tax rate is at least 2.8% but less than 3.0%; (2) 40.0% if the lowest tax rate is at least 2.9% and each tax rate imposed on Maryland taxable income greater than \$100,000 is at least 3.0%; and (3) 75.0% if the lowest tax rate is at least 3.1% and each tax rate imposed on Maryland taxable income greater than \$100,000 is at least 3.2%.

Legal Reference

Local Government Article, Section 16-501

Gaming Impact Grants

The State of Maryland has authorized six video lottery operation licenses in Allegany, Anne Arundel, Cecil, Prince George's, and Worcester counties and Baltimore City with a maximum number of 16,500 video lottery terminals allotted in the State. Licensees are also authorized to have table games with approval of the State Lottery and Gaming Control Commission.

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 as local impact grants to local governments in which a video lottery facility is operating. The local impact grant funding is subject to additional requirements governing the distribution of the funding among the local governments and the use of the funding, as well as a requirement that a local development council be established in each geographic area where a facility is located to advise the local governments in their planning of how to spend the funding. In addition to the local impact grants from video lottery terminal proceeds, 5% of the proceeds from table games at video lottery facilities are also distributed to local jurisdictions where a video lottery facility is located.

Gaming impact grants totaled an estimated \$101.5 million in fiscal 2023. **Exhibit 22.4** shows gaming impact grant funding for fiscal 2021 through 2023.

Exhibit 22.4
Gaming Impact Grants
Fiscal 2021-2023

<u>County</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Allegany	\$2,560,261	\$2,675,499	\$2,710,468
Anne Arundel	28,286,156	28,859,646	29,211,952
Baltimore City	25,137,385	24,880,890	25,371,984
Cecil	4,901,690	5,226,399	5,266,278
Howard	89,286	89,286	89,286
Prince George's	26,388,415	32,734,319	33,472,345
Worcester	4,791,214	5,311,258	5,396,044
Total	\$92,154,406	\$99,777,297	\$101,518,357

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. Since fiscal 2013, the Youth Recreational Opportunities Fund and the Boys and Girls Club of the Town of North Beach have received a portion of revenues from the State admissions and amusement tax imposed on the instant bingo machines in Calvert County.

Since fiscal 2014, the Town of North Beach and the Town of Chesapeake Beach in Calvert County have also received a portion of these State admissions and amusement revenues. Chapter 14 of 2021 provided, beginning in fiscal 2021, a new \$300,000 grant to the Town of Chesapeake Beach from the State admissions and amusement tax on electronic bingo. Instant bingo aid, all of which is distributed within Calvert County, totaled \$3.2 million in fiscal 2023.

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. The State lowered the tax rate on horse racing to 0.32% in 1997.

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 2023 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. Chapter 35 of 2022 codified the requirement that voting system costs be shared by the State and counties, in the Election Law Article of the Annotated Code. The requirement had previously been in uncodified language under Chapter 564. Since fiscal 2003, the State has provided local governments with \$71.6 million in voting system grants, including \$5.4 million in fiscal 2023.

Legal Reference

Election Law Article, Sections 9-101 and 9-106

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**.

Exhibit 22.5 Payments in Lieu of Taxes Fiscal 2021-2023

<u>County</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Anne Arundel	\$75,000	\$75,000	\$75,000
Baltimore City	1,589,472	1,591,422	1,592,392
Total	\$1,664,472	\$1,666,422	\$1,667,392

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. The Governor is required to appropriate \$750,000 to the fund each fiscal year. The funds are distributed in several ways to jurisdictions:

- \$100,000, based on a competitive grant process administered by the Maryland Department of Aging;

- \$400,000, based on a county's proportional share of the State's population of senior citizens;
- \$150,000, which is divided evenly among jurisdictions that meet the criteria of a "distressed county;" and
- \$100,000, which is divided proportionately by each distressed county's share of the total population of senior citizens in distressed counties.

Chapter 82 of 2019 explicitly added Baltimore City to the definition of a distressed county, rather than solely relying on existing income and unemployment criteria, ensuring Baltimore City is eligible for a portion of distressed county funding in perpetuity. The fiscal 2023 budget included \$765,117 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 2023, Forest Service payments to local governments totaled \$144,708, and Maryland Park Service payments to local governments totaled \$2.9 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 2023 budget included total payments of \$3.9 million to Allegany (\$1.0 million), Dorchester (\$0.7 million), Garrett (\$1.7 million), and Somerset (\$0.6 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

The State provides funding for adult education services, including classes on basic skills in reading, writing, and mathematics 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 2023 budget included \$8.0 million for adult education programs.

Legal Reference

Labor and Employment Article, Section 11-806

Behavioral Health Crisis Response

The Behavioral Health Crisis Response Grant Program, established by Chapters 209 and 210 of 2018, provides funds to local jurisdictions to establish and expand community behavioral health crisis response systems, including programs and services such as mobile crisis teams, on-demand walk-in services, and crisis residential beds. Mandated appropriations for the program

are established in statute, including \$5.0 million in each of fiscal 2023 through 2025, at least one-third of which must be used to award competitive grants for mobile crisis teams. The fiscal 2023 budget included \$5.0 million for the fund.

Legal Reference

Health-General Article, Section 7.5-208

State Center Redevelopment Plan

The fiscal 2023 budget included \$500,000 in general funds from the Dedicated Purpose Account to provide a grant to the Baltimore City Department of Planning for the creation of a redevelopment plan for State Center.

Legal Reference

Chapter 484 of 2022 (fiscal 2023 Budget Bill), pages 458 and 464

Capital Programs

Strategic Demolition Fund

The Strategic Demolition Fund assists in demolition, land assembly, architecture and engineering, and site development for revitalization projects. 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 2023 budget included \$30.0 million in general funds 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 2023 budget included \$12.0 million in general funds 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 2023 budget included \$3.0 million in general 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 2023 capital budget included \$2.4 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.

Baltimore City Functions

In most instances, when the State assumed a local function, it assumed the function for all jurisdictions in the State. However, to alleviate unique fiscal pressures in Baltimore City, the State assumed the responsibility for providing certain public safety and educational services within the city. **Exhibit 23.1** shows the amount of recent State funding (since fiscal 2019) for the three assumed local government functions in Baltimore City. State appropriations for local functions in Baltimore City totaled \$212.3 million in fiscal 2023, an 8.5% increase from fiscal 2019.

Exhibit 23.1
Baltimore City Functions Assumed by the State
(**\$ in Millions**)

<u>Fiscal Year</u>	<u>Community College</u>	<u>Detention Center/ Pretrial Complex</u>	<u>Central Booking</u>	<u>Total</u>
2019	\$40.4	\$86.9	\$68.3	\$195.6
2020	40.1	88.9	71.0	200.0
2021	37.3	84.6	66.4	188.3
2022	39.9	83.1	70.7	193.8
2023	43.7	90.2	78.3	212.3

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 \$497.3 million in fiscal 2021 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. As shown in Exhibit 23.1, State funding appropriated for the Baltimore City Pretrial Complex totaled \$90.2 million in fiscal 2023 and State funding for the Central Booking and Intake Facility totaled \$78.3 million.

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, with the Baltimore Pretrial Complex being established to house detained individuals within several State facilities.

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 25.1% of their operating funding from the State and 32.9% 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 23.1, State funding appropriated for the Baltimore City Community College totaled \$43.7 million in fiscal 2023.

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 the transfer of responsibility for support enforcement to the Child Support Enforcement Administration. Today, while most child support functions are administered by the State, some counties locally administer certain child support functions (such as State's attorney's offices and sheriff's offices).

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 Maryland Department of Health, the office assists State's Attorneys, the courts, law enforcement agencies, and families.

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. Since that time, the State has gradually expanded its funding responsibilities as follows:

- 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. References to "master" throughout the Maryland Code were changed by Chapter 414 of 2015 to "magistrate."
- In fiscal 1999, the State assumed all costs for the family divisions and family services.
- The State began contributing funds for juror per diems and the costs of court interpreters in fiscal 2000.
- The State assumed funding for law clerks of circuit court judges beginning in fiscal 2004. 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.
- Over the last 15 years, the State has begun to assume the cost of circuit court facilities with lease payments to local jurisdictions. 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.

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, 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 the Washington Metropolitan Area Transit Authority 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 the transit

authority and eligible bus service was increased from 75% to 100%. In addition, beginning in fiscal 2000, the State now pays 100% of the transit authority'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 2023, reimbursements from counties will total \$21.4 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 excluding debt proceeds. In both fiscal 2011 and 2021, federal aid accounted for approximately 10% of county revenues and 4% of municipal revenues. From fiscal 2011 to 2021, federal aid to county governments and total county revenues both increased at an average annual rate of 3.5%. Federal aid for municipalities increased at an average annual rate of 2.1% compared to 2.3% for total municipal revenues. **Exhibit 24.1** shows the growth in federal aid from fiscal 2011 to 2021 for both county and municipal governments.

Exhibit 24.1
Federal Aid to Maryland Local Governments
Fiscal 2011 and 2021
(\$ in Millions)

	<u>2011</u>	<u>2021</u>	<u>Percent Change</u>
Counties	\$2,517.0	\$3,536.6	40.5%
Municipalities	54.5	67.0	22.9%
Total	\$2,571.5	\$3,603.6	40.1%

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 2021, county governments and Baltimore City received federal aid totaling \$3.5 billion, and municipalities received \$67.0 million (**Exhibit 24.2**). Of the aid provided to counties and Baltimore City, approximately \$1.2 billion (35.2%) was for primary and secondary education, \$227.5 million (6.4%) was for community colleges, \$620.6 million (17.5%) was for local health departments, \$460.5 million (13.0%) was for community development, and \$984.4 million (27.8%) was for other programs. **Exhibit 24.3** presents federal aid by category for Baltimore City and county governments in fiscal 2021, 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.

Exhibit 24.2
Federal Aid to Local Governments
Fiscal 2021

County	County Revenues	Municipal Revenues	Total Revenues	Per Capita Revenues	Per Capita Ranking
Allegany	\$45,066,641	\$6,076,321	\$51,142,962	\$753	5
Anne Arundel	213,164,122	5,538,112	218,702,234	371	24
Baltimore City	496,615,874	0	496,615,874	852	3
Baltimore	452,831,889	0	452,831,889	531	15
Calvert	44,340,474	0	44,340,474	478	19
Caroline	18,838,842	66,828	18,905,670	568	13
Carroll	76,899,913	3,519,185	80,419,098	465	20
Cecil	53,681,103	118,578	53,799,681	519	16
Charles	75,614,516	385,494	76,000,010	456	21
Dorchester	20,327,120	499,696	20,826,816	641	8
Frederick	151,211,399	12,008,147	163,219,546	598	10
Garrett	29,008,450	499,478	29,507,928	1,026	1
Harford	128,296,980	60,104	128,357,084	492	17
Howard	141,834,870	0	141,834,870	426	23
Kent	9,164,260	116,605	9,280,865	485	18
Montgomery	749,196,202	6,807,276	756,003,478	712	6
Prince George's	511,749,999	7,292,158	519,042,157	538	14
Queen Anne's	21,930,325	0	21,930,325	439	22
St. Mary's	64,986,900	0	64,986,900	570	12
Somerset	20,752,227	377,994	21,130,221	860	2
Talbot	18,546,146	3,023,120	21,569,266	576	11
Washington	102,019,111	6,032,930	108,052,041	699	7
Wicomico	62,243,898	1,590,469	63,834,367	617	9
Worcester	28,254,107	12,975,304	41,229,411	786	4
Total	\$3,536,575,368	\$66,987,799	\$3,603,563,167	\$584	

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

Exhibit 24.3
Federal Aid to County Governments
Fiscal 2021

County	Public Schools	Community Colleges	Health Boards	Community Development	Other Programs	Total
Allegany	\$17,283,587	\$8,767,119	\$13,220,446	\$924,065	\$4,871,424	\$45,066,641
Anne Arundel	98,071,461	16,405,865	33,541,580	19,636,089	45,509,127	213,164,122
Baltimore City	221,384,000	-	19,957,236	-	255,274,638	496,615,874
Baltimore	136,162,000	51,307,013	140,017,911	116,333,050	9,011,915	452,831,889
Calvert	14,315,473	3,005,720	16,212,687	913,752	9,892,842	44,340,474
Caroline	13,236,181	1,274,755	3,290,636	135,080	902,190	18,838,842
Carroll	32,999,996	5,060,840	21,418,589	8,200,793	9,219,695	76,899,913
Cecil	24,048,783	3,770,842	14,479,483	6,636,219	4,745,776	53,681,103
Charles	26,759,646	6,417,198	22,170,765	9,843,202	10,423,705	75,614,516
Dorchester	11,050,118	811,716	6,085,922	-	2,379,364	20,327,120
Frederick	44,331,117	4,096,001	18,510,685	11,361,622	72,911,974	151,211,399
Garrett	9,810,120	2,685,995	3,982,169	435,536	12,094,630	29,008,450
Harford	47,581,742	10,099,567	12,127,929	12,688,336	45,799,406	128,296,980
Howard	43,879,935	19,103,134	32,711,465	20,712,121	25,428,215	141,834,870
Kent	4,017,899	330,274	4,212,220	48,097	555,770	9,164,260
Montgomery	201,787,337	39,499,838	141,505,577	129,308,262	237,095,188	749,196,202
Prince George's	159,316,796	26,863,520	32,789,413	118,907,852	173,872,418	511,749,999
Queen Anne's	7,999,531	1,446,547	7,586,998	527,095	4,370,154	21,930,325
St. Mary's	29,217,534	2,954,892	13,111,666	-	19,702,808	64,986,900
Somerset	10,213,416	-	4,540,062	162,574	5,836,175	20,752,227
Talbot	6,425,242	1,365,411	4,851,241	1,093,711	4,810,541	18,546,146
Washington	48,844,074	11,629,131	22,846,647	1,151,615	17,547,644	102,019,111
Wicomico	27,657,249	7,427,798	21,919,901	1,035,960	4,202,990	62,243,898
Worcester	7,319,449	3,153,111	9,476,986	405,686	7,898,875	28,254,107
Statewide	\$1,243,712,686	\$227,476,287	\$620,568,214	\$460,460,717	\$984,357,464	\$3,536,575,368

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

Exhibit 24.4
Federal Aid to Municipal Governments
Fiscal 2021

County	Community Development	Public Safety	Transportation	Sewer/Waste/ Water	Economic Development	Other Programs	Total
Allegany	\$3,677,886	\$1,541,943	\$63,965	\$9,709	\$0	\$782,818	\$6,076,321
Anne Arundel	528,092	2,836,549	2,100,605	-	-	72,866	5,538,112
Calvert	-	-	-	-	-	-	-
Caroline	-	34,500	-	7,718	-	24,610	66,828
Carroll	2,772,642	22,343	76,419	287,545	-	360,236	3,519,185
Cecil	-	40,176	-	-	-	78,402	118,578
Charles	-	1,000	-	31,578	-	352,916	385,494
Dorchester	296,895	24,930	-	-	29,139	148,732	499,696
Frederick	39,288	35,952	4,659,036	179,933	2,768,645	4,325,293	12,008,147
Garrett	128,459	-	-	217,180	-	153,839	499,478
Harford	-	11,067	-	-	-	49,037	60,104
Kent	-	-	43,041	65,899	-	7,665	116,605
Montgomery	682,167	42,797	14,867	-	-	6,067,445	6,807,276
Prince George's	1,680,368	116,054	159,446	-	32,526	5,303,764	7,292,158
Queen Anne's	-	-	-	-	-	-	-
St. Mary's	-	-	-	-	-	-	-
Somerset	112,171	50,000	-	-	-	215,823	377,994
Talbot	-	4,387	1,570,163	-	-	1,448,570	3,023,120
Washington	-	2,277,658	318,768	720,554	996,259	1,719,691	6,032,930
Wicomico	789,650	800,819	-	-	-	-	1,590,469
Worcester	-	611,853	8,309,202	-	184,772	3,869,477	12,975,304
Statewide	\$10,707,618	\$8,452,028	\$17,315,512	\$1,520,116	\$4,011,341	\$24,981,184	\$66,987,799

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

Primary and Secondary Education

The State receives two types of federal grants for primary and secondary (K-12) education: formula grants to State education agencies based on enrollment and other factors; and project grants that require an annual application from the State. Grants are administered by the Maryland State Department of Education on behalf of local school systems. This section summarizes some of the federal grant programs in the K-12 education fiscal 2023 budget.

Title I Grants

Title I grants are formula grants that help local school systems improve teaching and learning in high-poverty schools for children failing, or most at-risk of failing, to meet challenging State academic standards. Title I grant programs include basic grants for all local school systems, school system support, migrant education, neglected and delinquent education, and school improvement.

Carl D. Perkins Career and Technical Education Grants

The Carl D. Perkins Career and Technical Education grants provide formula grants designed to expand and improve programs of vocational, career, and technical education for local school systems and community colleges and to provide equal access to career and technical education for special needs populations.

English Language Acquisition Grants

English Language Acquisition grants are formula grants that support instruction in public and nonpublic schools for students whose native language is not English. Funds are provided for speakers of other languages bilingual instruction, in-service training for speakers of other languages/bilingual teachers, and curriculum and materials.

McKinney-Vento Education for Homeless Children and Youths Grants

McKinney-Vento Education for Homeless Children and Youths grants are formula grants that are designed to ensure all homeless children and youth have equal access to the same public education available to other children. States can use these grants to (1) establish or designate a State Coordinator for Education of Homeless Children and Youths; (2) develop and carry out a state plan for the education of homeless children; and (3) make subgrants to local school systems to support the education of those children.

Supporting Effective Instruction State Grants

Supporting Effective Instruction grants (formerly Improving Teacher Quality State Grants) are formula grants intended to increase student achievement; the quality and effectiveness

of teachers and school leaders; 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

Food and nutrition grants expand food and nutrition programs for needy children and students who qualify for free and reduced-price meals. Federal funds are disbursed by the State to public and nonpublic schools, residential childcare institutions, childcare centers, summer programs, and charitable institutions. Food and nutrition grant programs include the National School Lunch Program, the School Breakfast Program, the Summer Food Service Program, the Special Milk Program, the Fresh Fruit and Vegetable Program, and other programs that provide meals and snacks for children enrolled in eligible after school programs. Funds are also provided for lunch equipment assistance.

Special Education Grants

Special Education grants are formula grants that provide funds to meet requirements of the Individuals with Disabilities Act. These grants are intended to make free public education available to all children with disabilities and assist states and local school systems to provide special education and related services. Special education grants include basic grants, state improvement grants, and special technical assistance grants.

After School Learning Centers

After School Learning Center grants are project grants that provide opportunities for communities to establish or expand activities in community learning centers for academic enrichment, particularly for students who attend high-poverty and low-performing schools. The program is intended to help students meet state and local student academic achievement standards in core academic subjects, such as reading and mathematics; to offer students a broad array of enrichment activities that reinforce and complement their regular academic programs; and to offer literacy and other educational services to the families of participating children.

Gaining Early Awareness and Readiness through Undergraduate Programs

Gaining Early Awareness and Readiness through Undergraduate Programs grants are project grants that provide support to eligible low-income students, including students with disabilities, to assist the students in obtaining a secondary school diploma (or its recognized equivalent) and to prepare for postsecondary education. All projects provide a comprehensive set of early intervention services including mentoring, tutoring, academic, and career counseling,

services to increase parental involvement, and other college preparation activities. Some projects provide college scholarships to participating students.

In addition to the K-12 education grants listed above, in fiscal 2023, the State also received grants for Safe and Drug Free schools, substance abuse and mental health, charter schools, rural education, and literacy development. For additional information on federal grant funding, see “Chapter 14. Education” in *Volume III – Maryland’s Revenue Structure* and “Chapter 3. Primary and Secondary Funding” in *Volume IX – Education in Maryland*.

Adult Education Basic State Grants

Adult Education Basic State Grants improve literacy 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 Maryland Department of Labor.

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.

Higher Education Emergency Relief Funds

Federal funds were provided through various federal coronavirus relief packages (the Coronavirus Aid, Relief, and Economic Security Act; the Consolidated Appropriations Act; and the American Rescue Plan Act) to defray expenses associated with the coronavirus pandemic (including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll) and make additional emergency financial assistance grants to students. Additional funding was also provided to support workforce development courses and continuing professional education that led to government or industry certificate or licensure.

Health and Human Services

Special Supplemental Nutrition Program for Women, Infants, and Children

The Special Supplemental Nutrition Program for Women, Infants, and Children provides supplemental nutritious foods, nutrition education, breastfeeding support, 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. Nutritional food allowances and educational services are provided at no cost to program participants. States apply for Women, Infants, and Children grants and administer the program. Local agencies that qualify under State agency guidelines may operate Women, Infants and Children 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 and Early Head Start

The Head Start and Early Head Start programs are comprehensive child development programs for low-income families with children from birth to age five and pregnant women. Families with incomes at or below the federal poverty level are eligible for early childhood education, health, nutritional, social, and other services through the programs with parental

involvement. 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 that 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 action 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 Grant

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 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.

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.

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.

Transportation

Urbanized Area Grant Program – Section 5307

The Federal Transit Administration's Section 5307 Urbanized Area Grant Program provides funding for public transportation in urbanized areas, places designated by the Census Bureau as having populations of 50,000 or more. Funding can be spent on capital, planning, job access and reverse commute projects, and, in some circumstances, operating expenses. For urbanized areas under 200,000, the distribution of funds is based on population, population density, and the number of low-income individuals. In addition to these factors, in urbanized areas over 200,000, the formula is also based on bus revenue vehicle miles, passenger miles, and operating costs; and fixed guideway revenue miles, route miles, passenger miles, and operating costs. 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.

Rural Area Formula Program – Section 5311

The Federal Transit Administration's Section 5311 Rural Area Formula Program provides funding to states and Indian tribes for public transportation outside of urbanized areas. Capital, operating, and planning are all eligible expenses. The formula used to apportion Rural Area Formula Program funds includes rural land area, population, vehicle revenue miles, and the number of low-income individuals. Annual recipients of this program in the State include 19 counties and one municipality (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 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.

Federal COVID-19/Stimulus Assistance

COVID-19 relief/stimulus funding for transportation was provided through the following federal programs:

- Airport Improvement Program;
- Highway Planning and Construction (Surface Transportation Block Grant);
- Federal Transit Formula Grants (Urbanized Area Grant Program and Rural Area Formula Program);
- Federal Transit Capital Improvement Grants; and
- State of Good Repair Grants Program.

Highway funding was provided through the Coronavirus Response and Relief Supplemental Appropriations Act of 2021. Transit funding was provided through the Coronavirus Response and Relief Supplemental Appropriations Act; the Coronavirus Aid, Relief, and Economic Security Act; and the American Rescue Plan Act.