

State Aid to Maryland Eastern Shore

Fiscal 2025

State Aid Overview

- The nine counties on the Eastern Shore will receive \$859.0 million in State aid in fiscal 2025. Of this amount, \$785.6 million is direct aid, and \$73.3 million is for retirement payments. This represents a \$40.0 million increase over the prior year.
- On a per capita basis, State aid ranges from \$960 in Talbot County to over \$2,900 in Caroline County, which receives the second highest State aid amount on a per capita basis when compared to the other 23 local jurisdictions.
- Four Eastern Shore counties are ranked in the top five in the level of State support received on a per capita basis (Caroline, Dorchester, Somerset, and Wicomico), while Cecil County is ranked tenth and close to the statewide average. Four counties (Kent, Queen Anne's, Talbot, and Worcester) receive less State aid when compared to other jurisdictions, due to their relatively high local tax base. Approximately 70% of State aid to local governments is allocated based on local wealth, whereby more affluent jurisdictions receive less State funding. Local wealth is measured by a jurisdiction's property tax base (county assessable base) and income tax base (net taxable income).

County-Municipal Aid

- The Eastern Shore will receive \$81.3 million in county-municipal aid, which represents a slight increase from the prior year.
- State funding includes \$26.3 million for highway user revenues, \$7.8 million for police aid, \$2.9 million for fire and rescue aid, and \$28.4 million under the disparity grant program.

Public Safety Grants

- The Eastern Shore will receive \$4.8 million in funding under the existing police aid formula and \$3.0 million in enhanced funding based on the number of violent crime offenses occurring within the county.
- The majority of State funding under the police aid formula is based on population density. More urbanized jurisdictions with a higher population density receive a higher per capita grant amount. A small component of the formula (representing 4.2% of overall funding) targets funding to municipalities based on the number of sworn officers. Funding in fiscal 2025 is based on \$1,950 per sworn officer.

- Since fiscal 2004, local governments are responsible for covering 30% of the costs for the State Police crime lab. The local reimbursement is based on each jurisdiction's crime rate (one-third) and local wealth (two-thirds). The local reimbursement is deducted from each jurisdiction's police aid amount.
- The Eastern Shore will receive \$2.9 million in fire and rescue aid in fiscal 2025. Each county's funding is based on their share of property tax accounts relative to the statewide total. Each county is guaranteed a minimum 2% share of total funds (\$300,000).

Local Health Grants

- The Eastern Shore will receive \$28.7 million in local health grants in fiscal 2025. Statewide, local health departments will receive \$123.2 million, which represents a \$7.4 million, or 6.4%, increase from the prior year.

Transportation Aid

- The Eastern Shore will receive \$26.3 million in local highway user revenues in fiscal 2025, which represents a \$3.9 million, or 17.5%, increase over the prior year.
- The county and municipal share is based on road mileage and vehicle registration. In fiscal 2025, county governments will receive \$13.8 million, and the municipalities will receive \$12.5 million.
- State funding for local highway user revenues is based on the amount of revenue allocated to the Gasoline and Motor Vehicle Revenue Account (GMVRA). In fiscal 2025, State funding to local governments is based on 18% of total GMVRA revenues. Of this amount:
 - 61.1% goes to Baltimore City (11.0% of GMVRA)
 - 23.9% goes to county governments (4.3% of GMVRA)
 - 15.0% goes to municipalities (2.7% of GMVRA).
- Under current law, these distributions increase for fiscal 2026 and 2027. Beginning in fiscal 2028, the allocations revert to the fiscal 2024 distribution, as shown in the following table.
- However, the Budget Reconciliation and Financing Act includes a provision that will revert the distribution back to the fiscal 2024 levels beginning in fiscal 2026. This legislative action will result in a \$6.5 million reduction in State funding for jurisdictions on the Eastern Shore in both fiscal 2026 and 2027. Statewide, the funding reduction totals approximately \$100 million in both fiscal years.

Local Share of Highway User Revenues

| | <u>FY 23</u> | <u>FY 24</u> | <u>FY 25</u> | <u>FY 26</u> | <u>FY 27</u> |
|----------------|--------------|--------------|--------------|--------------|--------------|
| MDOT | 86.5% | 84.4% | 82.0% | 80.0% | 80.0% |
| Baltimore City | 8.3% | 9.5% | 11.0% | 12.2% | 12.2% |
| Counties | 3.2% | 3.7% | 4.3% | 4.8% | 4.8% |
| Municipalities | 2.0% | 2.4% | 2.7% | 3.0% | 3.0% |

MDOT: Maryland Department of Transportation

Source: Department of Legislative Services

Disparity Grants

- The disparity grant program provides State funding to nine jurisdictions statewide where per capita revenue collections from the local income tax is below 75% of the statewide average. Under the program, each eligible jurisdiction receives a grant that enables the per capita local income tax revenues to reach 75% of the statewide average.
- Four counties on the Eastern Shore (Caroline, Dorchester, Somerset, and Wicomico) will receive disparity grant funding in fiscal 2025.
- Due to 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 the jurisdiction'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 funding amount for jurisdictions with a 3.2% local income tax rate to 75%.
- The Eastern Shore will receive \$28.4 million in funding under the disparity grant program in fiscal 2025. This represents a \$3.6 million or 11.2% decrease from the prior year. The basic reason for the drop in disparity grant funding relates to the narrowing of income disparities between the high and low wealth counties.

- The annual decrease in disparity grant funding in fiscal 2025 follows a record increase in funding in fiscal 2024 fueled by above average income growth for tax year 2021 in the more affluent counties. Consequently, this expanded income inequities across the State resulting in a substantial increase in State funding under the disparity grant program in fiscal 2024. However, in the following year (tax year 2022), the disparity in local income wealth began to close as the per capita income tax yield actually decreased in many of the more affluent counties. As a result, the per capita grant amount under the disparity grant program decreased in fiscal 2025 for most counties.
- Another factor resulting in a decrease in disparity grant funding in recent years is local tax policy. Changes in local income tax rates can impact the level of State funding provided under the disparity grant program as the minimum funding amount is based on local tax effort.
- Cecil County reduced its local income tax rate in tax year 2023 from 3% to 2.8%, which reduced the minimal funding amount from 40% to 20%. This resulted in a \$1.1 million funding decrease in fiscal 2024. Instead of receiving \$2.2 million in disparity grant funding, the county only received \$1.1 million. Cecil County reduced its local income tax rate again in tax year 2024 from 2.8% to 2.75%, which eliminated the minimal funding amount resulting in the county losing its entire disparity grant allocation which would have totaled \$345,800 in fiscal 2025. If Cecil County would have imposed a 3.2% local income tax rate as the other disparity grant counties on the Eastern Shore, the county would have received \$1.3 million in funding under the program in fiscal 2025.

Gaming Impact Aid

- Cecil County will receive \$4.8 million in gaming impact aid in fiscal 2025, and Worcester County will receive \$5.6 million.

Education Aid

- Around 85% of State aid to local governments will go to public schools. The nine local school systems on the Eastern Shore will receive \$639.4 million in direct aid in fiscal 2025, which represents a \$25.6 million increase from the prior year. In addition, the State will provide \$67.2 million in funding for teacher retirement payments.
- State support for public schools remains relatively strong. Five local school systems on the Eastern Shore will receive above average support. Somerset County will receive the highest level of State support when measured on a per pupil basis (\$18,729). Three other local school systems on the Eastern Shore (Caroline, Dorchester, and Wicomico) are ranked in the top six for per pupil State funding, with Cecil County's per pupil funding exceeding the State average.

Blueprint and Targeted Funding

- Local school systems on the Eastern Shore will receive \$57.9 million in State funding under the Blueprint Initiatives in fiscal 2025. This includes \$3.1 million for supplemental instruction, \$26.7 million in concentration of poverty grants, and \$21.8 million for full-day prekindergarten.
- A considerable amount of State education funding is based on targeted student populations, with Eastern Shore school systems receiving \$235.2 million in targeted grants under the compensatory aid, English Language Learners, and special education programs.

Student Enrollment

- Statewide, student enrollment increases by 0.1% in fiscal 2025, with five local school systems on the Eastern Shore posting gains in student enrollment (Dorchester, Queen Anne’s, Somerset, Talbot, and Wicomico) and four school systems realizing decreases in student enrollment.
- A high percentage of public school students on the Eastern Shore are eligible for targeted educational services (Free and Reduced-price Meals, English Language Learners, and Special Education). Six local school systems have a “targeted student population” above the State average of 78.3% (Caroline, Dorchester, Kent, Somerset, Talbot, and Wicomico).
- In Caroline, Dorchester, Kent, and Somerset counties, over 60% of public school students are approved for free and reduced-price meals. This compares with 38.8% in Queen Anne’s County (sixth lowest percentage in the State). However, Queen Anne’s County realized the fourth highest percent increase in the number of students approved for free and reduced-price meals.
- In addition, all of the local school systems on the Eastern Shore are experiencing a rise in the number of English Language Learners. The annual increase exceeds 10% in six school systems, with Kent County realizing the third highest increase at 22.9% followed by Worcester and Wicomico counties. Talbot County currently has the third highest share of English Language Learners in Maryland, representing 15.6% of student enrollment. Only Prince George’s and Montgomery counties have a larger share of English Language Learners as a percent of student enrollment. Wicomico County has the fifth highest share of English Language Learners, representing 12.6% of student enrollment.
- Also, two of the top five local school systems with the highest proportion of students receiving special education services are on the Eastern Shore (Cecil and Somerset). The percent of students receiving special education services ranges from 10.4% in Dorchester County to 18.5% in Cecil County, with the State average at 13.9%.

State Aid to the Maryland Eastern Shore Fiscal 2025

| County | Population | Total State Aid | Per Capita State Aid | Annual Increase |
|----------------------|-------------------|------------------------|-----------------------------|------------------------|
| Caroline | 33,433 | \$97,098,618 | \$2,904 | \$1,323,424 |
| Cecil | 104,942 | 180,616,254 | 1,721 | 3,346,014 |
| Dorchester | 32,726 | 84,433,290 | 2,580 | 9,945,547 |
| Kent | 19,320 | 19,889,400 | 1,029 | 1,102,793 |
| Queen Anne's | 51,711 | 61,040,820 | 1,180 | 2,714,384 |
| Somerset | 24,546 | 63,011,484 | 2,567 | 3,103,428 |
| Talbot | 37,932 | 36,427,984 | 960 | 2,246,173 |
| Wicomico | 104,664 | 257,922,914 | 2,464 | 11,816,804 |
| Worcester | 53,866 | 58,516,525 | 1,086 | 4,365,204 |
| Eastern Shore | 463,140 | \$858,957,289 | \$1,855 | \$39,963,771 |
| Maryland | 6,164,660 | \$10,788,831,419 | \$1,750 | \$506,473,451 |

| County | FTE Enrollment | Education Direct Aid | Per Pupil State Aid | Annual Increase |
|----------------------|-----------------------|-----------------------------|----------------------------|------------------------|
| Caroline | 5,298.25 | \$78,037,487 | \$14,729 | \$460,047 |
| Cecil | 14,254.00 | 139,316,877 | 9,774 | 1,423,140 |
| Dorchester | 4,282.00 | 64,866,432 | 15,149 | 7,941,007 |
| Kent | 1,619.75 | 11,790,606 | 7,279 | 264,738 |
| Queen Anne's | 7,152.25 | 44,250,961 | 6,187 | 971,253 |
| Somerset | 2,603.00 | 45,342,417 | 17,419 | 2,491,250 |
| Talbot | 4,228.75 | 22,436,224 | 5,306 | 1,028,805 |
| Wicomico | 14,411.25 | 202,773,712 | 14,071 | 9,390,223 |
| Worcester | 6,324.25 | 30,565,524 | 4,833 | 1,598,111 |
| Eastern Shore | 60,173.50 | \$639,380,240 | \$10,626 | \$25,568,574 |
| Maryland | 853,932.75 | \$8,153,561,513 | \$9,548 | \$261,996,156 |

Source: Department of Legislative Services

Local Wealth Measures – Maryland Eastern Shore

| County | Median Household Income | Percent State Avg. | Per Capita Net Taxable Income | Percent State Avg. |
|-----------------|-------------------------|--------------------|-------------------------------|--------------------|
| Caroline | \$61,945 | 68.7% | \$21,792 | 58.3% |
| Cecil | 76,727 | 85.1% | 28,428 | 76.0% |
| Dorchester | 54,731 | 60.7% | 21,026 | 56.2% |
| Kent | 66,183 | 73.4% | 30,758 | 82.3% |
| Queen Anne's | 94,583 | 104.9% | 45,303 | 121.2% |
| Somerset | 47,131 | 52.3% | 13,479 | 36.1% |
| Talbot | 78,931 | 87.6% | 49,920 | 133.5% |
| Wicomico | 61,848 | 68.6% | 21,773 | 58.2% |
| Worcester | 70,952 | 78.7% | 36,566 | 97.8% |
| Maryland | \$90,129 | 100.0% | \$37,382 | 100.0% |

County Property and Income Tax Revenues Fiscal 2024

| County | Property Taxes | | Income Taxes | |
|-----------------|----------------|----------------------------------|--------------|----------------------------------|
| | Tax Rate | Per Capita Revenues ¹ | Tax Rate | Per Capita Revenues ¹ |
| Caroline | \$0.9800 | \$929 | 3.20% | \$604 |
| Cecil | 0.9924 | 1,082 | 2.75% | 677 |
| Dorchester | 1.0000 | 1,082 | 3.20% | 607 |
| Kent | 1.0220 | 1,762 | 3.20% | 893 |
| Queen Anne's | 0.8300 | 1,502 | 3.20% | 1,554 |
| Somerset | 1.0000 | 809 | 3.20% | 397 |
| Talbot | 0.7434 | 1,499 | 2.40% | 817 |
| Wicomico | 0.8855 | 714 | 3.20% | 616 |
| Worcester | 0.8450 | 2,960 | 2.25% | 743 |
| Maryland | | \$1,650 | | \$1,194 |

¹ Reflects estimated revenue amounts in adopted county budgets.

Source: County Budget Documents, Department of Legislative Services