

State Aid to Washington County

Fiscal 2025

State Aid Overview

- Washington County will receive \$306.1 million in State aid in fiscal 2025. Of this amount, \$283.8 million is direct aid, and \$22.3 million is for retirement payments.
- Washington County will receive a 5.1% increase in State funding in fiscal 2025, with total State aid increasing by \$14.8 million over the prior year. Direct aid increases by \$10.5 million, and retirement payments increase by \$4.3 million.
- On a per capita basis, Washington County will receive almost \$2,000 in State funding per county resident. The county's per capita funding amount totals \$1,968 in fiscal 2025, which is the eighth highest amount in the State.
- 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

- Washington County will receive \$12.1 million in county-municipal aid in fiscal 2025, which represents a slight increase from the prior year.
- State funding includes \$6.7 million for highway user revenues, \$2.6 million for police aid, \$0.3 million for fire and rescue aid, and \$2.4 million under the disparity grant program.

Public Safety Grants

- Washington County will receive \$1.5 million in funding under the existing police aid formula and \$1.1 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. Municipalities in Washington County will receive \$193,050 in funding under this provision, which accounts for 12.1% of the police aid formula allocation to the county.

- 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. In Washington County, the reduction will total \$104,500 in fiscal 2025.
- Washington County will receive \$336,200 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

- Washington County will receive \$4.8 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

- Washington County will receive \$6.7 million in local highway user revenues in fiscal 2025, which represents a \$1.0 million, or 17.2%, increase over the prior year.
- The county and municipal share is based on road mileage and vehicle registration. In fiscal 2025, the county government will receive \$3.0 million, and the municipalities will receive \$3.6 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.

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

- However, the Budget Reconciliation and Financing Act (BRFA) 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 \$1.6 million reduction in State funding for jurisdictions in Washington County in both fiscal 2026 and 2027. Statewide, the funding reduction totals approximately \$100 million in both fiscal years.

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.
- 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%.

- Washington County will receive \$2.4 million in funding under the disparity grant program in fiscal 2025. This represents a \$0.6 million, or 20.8% 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.
- Over the last three years, Washington County has reduced its local income tax rate which has resulted in a corresponding reduction in State funding under the disparity grant program. Over the three-year period (fiscal 2023-2025), Washington County has lost approximately \$18.1 million in State funding under the program by lowering the county's income tax rate below 3.2%.
- Washington County reduced its local income tax rate in tax year 2022 from 3.2% to 3.0%, which reduced the minimal funding amount from 75% to 40%. This resulted in a \$3.4 million funding decrease in fiscal 2023. Instead of receiving \$7.2 million in disparity grant funding, the county only received \$3.8 million.
- Washington County reduced its local income tax rate again in tax year 2023 from 3.0% to 2.95%, which further reduced the minimal funding amount to 20% in both fiscal 2024 and fiscal 2025. If Washington County would have imposed a 3.2% local income tax rate as most other disparity grant counties, the county would have received \$11.2 million in funding under the program in fiscal 2024 and \$8.9 million in fiscal 2025. Instead, the county received \$3.0 million in funding in fiscal 2024 and \$2.4 million in fiscal 2025.

Local Library and Community College Aid

- Washington County will receive \$1.7 million in local library aid and \$16.2 million in State support for the local community college. State funding for Hagerstown Community College will decrease by \$638,100 in fiscal 2025.

- The BRFA includes a provision that rebases the Cade funding formula and will reduce statewide funding for community colleges by \$22.6 million over current law funding amounts. In Washington County, the projected reduction totals around \$1.2 million.

Education Aid

- The vast majority of State funding is targeted to the public school system. Direct State aid to the Washington County Public School System accounts for approximately 81% of total State aid provided to the county; and funding for teacher retirement accounts for around 6.5% of total State aid.
- In fiscal 2025, the Washington County Public School System will receive \$249.0 million in direct aid, which represents a \$10.3 million, or 4.3%, increase from the prior year. In addition, the State will provide \$20.1 million in funding for teacher retirement payments.
- On a per pupil basis, Washington County will receive \$12,589 in State funding: \$11,650 per pupil in direct aid; and \$939 per pupil for teacher retirement payments.
- Washington County will receive a 3.4% increase in per pupil direct aid in fiscal 2025. This is above the statewide average increase of 3.2%.

Blueprint and Targeted Funding

- Washington County will receive \$18.3 million in State funding under the Blueprint Initiatives in fiscal 2025. This includes \$1.1 million for supplemental instruction, \$9.0 million in concentration of poverty grants, \$7.5 million for full-day prekindergarten, and \$0.5 million for college and career programs.
- A considerable amount of State education funding is based on targeted student populations, with Washington County receiving \$86.5 million in targeted grants under the compensatory aid, English Language Learners (ELL), and special education programs. Of these three programs, Washington County receives \$63.1 million in compensatory aid funding, \$16.9 million in special education funding and \$6.5 million in ELL grant.

Student Enrollment

- The full-time equivalent student (FTES) enrollment count increases by 0.9% in Washington County, which exceeds the statewide average increase (0.1%). Currently, the county school system has around 21,400 public school students, which accounts for approximately 2.5% of students statewide.

- The number of students approved for free and reduced-price meals (FRPM) increases by 4.9% in Washington County, which exceeds the statewide average increase of 1.3%. This increase is the seventh highest in the State. Washington County currently has the eighth highest percentage of students approved for FRPM at 60.4% of total student enrollment. Statewide, over half of the students are approved for FRPM and this ranges from around 27% in Carroll County to almost 90% in Dorchester County and Baltimore City.
- Washington County has a relatively low percentage of students identified as ELL at 4.8% of total student enrollment. However, in fiscal 2025, the number of ELL students increases by 26.5%, resulting in 217 additional students requiring language services. This represents the highest percent increase in the number of ELL students among the 24 local school systems, with the statewide annual increase averaging 6.1%.
- Washington County has a below average share of students receiving special education services and is ranked tenth in the share of students receiving special education in the State. In fiscal 2025, the number of students receiving special education services accounts for 13.3% of total enrollment, compared to the statewide average of 13.9%.
- Washington County has the eleventh highest targeted student index in the State at 78.6%. This index adds together the percent share of FTES who are approved for FRPM, ELL, and special education services. The targeted student index ranges from 42.3% in Carroll County to 117.4% in Baltimore City, with the statewide average at 78.3%.
- Statewide, public-school enrollment represents 13.9% of the total State population. In Washington County, public school enrollment represents 13.7% of the overall county population. In comparison, Kent County has the lowest share, with public school enrollment accounting for 8.4% of the total county population while Howard County has the highest share at 16.7%.

STATE AID TO LOCAL GOVERNMENTS -- WASHINGTON COUNTY

	<u>FY 2024</u>	<u>FY 2025</u>	<u>\$ Difference</u>	<u>% Difference</u>
Direct Aid				
Foundation Aid	\$123,145,055	\$123,853,507	\$708,452	0.6
Compensatory Aid	60,754,381	63,126,819	2,372,438	3.9
Student Transportation - Regular	8,846,034	9,006,754	160,720	1.8
Student Transportation - Special Education	617,000	599,000	-18,000	-2.9
Special Education - Formula	14,678,404	16,925,586	2,247,182	15.3
Special Education - Nonpublic Placements	1,148,828	1,148,828	0	0.0
Special Education - Infants and Toddlers	105,322	112,928	7,606	7.2
English Language Learners Grant	5,001,963	6,467,062	1,465,099	29.3
Teacher Development Grants	4,000	4,000	0	0.0
Food Service	629,038	637,837	8,799	1.4
Innovative Programs	296,461	296,461	0	0.0
Out-of-County Placements	6,418	6,418	0	0.0
Judy Hoyer Centers	660,000	660,000	0	0.0
Guaranteed Tax Base	9,092,960	7,823,646	-1,269,314	-14.0
Prekindergarten Expansion Program	100,000	100,000	0	0.0
Blueprint - Concentration of Poverty	5,464,592	8,990,317	3,525,725	64.5
Blueprint - Transitional Supplemental Instructor	1,723,097	1,077,763	-645,334	-37.5
Blueprint - Full Day PreKindergarten	5,313,499	7,547,642	2,234,143	42.0
Blueprint - College and Career Readiness	840,824	451,137	-389,687	-46.3
Blueprint - Career Ladder	221,975	208,540	-13,435	-6.1
Blueprint - Coordinators	106,562	0	-106,562	-100.0
Education	\$238,756,413	\$249,044,245	\$10,287,832	4.3
Library Formula	1,640,866	1,664,205	23,339	1.4
Libraries	\$1,640,866	\$1,664,205	\$23,339	1.4
Community College Formula	14,747,044	14,043,320	-703,724	-4.8
Grants for ESOL Programs	70,328	113,672	43,344	61.6
Optional Retirement	593,695	616,005	22,310	3.8
Small College Grants	1,437,872	1,437,872	0	0.0
Community Colleges	\$16,848,939	\$16,210,869	-\$638,070	-3.8
Local Health Formula	4,437,379	4,759,871	322,492	7.3
Health	\$4,437,379	\$4,759,871	\$322,492	7.3
Highway User Revenue	5,680,096	6,657,709	977,613	17.2
Elderly & Disabled Transportation Grants	146,917	151,530	4,613	3.1
Transportation	\$5,827,013	\$6,809,239	\$982,226	16.9
Police Aid	1,482,577	1,488,882	6,305	0.4
Fire and Rescue Aid	336,233	336,233	0	0.0
Police Aid Enhancement	984,196	1,116,491	132,295	13.4
Public Safety	\$2,803,006	\$2,941,606	\$138,600	4.9

STATE AID TO LOCAL GOVERNMENTS -- WASHINGTON COUNTY

	<u>FY 2024</u>	<u>FY 2025</u>	<u>\$ Difference</u>	<u>% Difference</u>
Direct Aid				
Disparity Grant	2,990,075	2,367,652	-622,423	-20.8
Other	\$2,990,075	\$2,367,652	-\$622,423	-20.8
Total Direct Aid	\$273,303,691	\$283,797,687	\$10,493,996	3.8
Payments in Behalf				
Retirement - Teachers	\$16,180,470	\$20,080,861	\$3,900,391	24.1
Retirement - Libraries	495,864	565,737	69,873	14.1
Retirement - Community College	1,384,466	1,681,027	296,561	21.4
Total Payments in Behalf	\$18,060,800	\$22,327,625	\$4,266,825	23.6
Total State Aid	\$291,364,491	\$306,125,312	\$14,760,821	5.1