



## House Bill 914

### *County Income Tax Disparity Grants - Alternations*

MACo Position: **SUPPORT**

To: Appropriations Committee

Date: February 26, 2013

From: Andrea Mansfield

The Maryland Association of Counties (MACo) **SUPPORTS** HB 914. This bill would eliminate the cap placed on the disparity grant program effective fiscal 2010 and phase in the additional funding for eligible counties over 5 years, 20% per year, beginning in fiscal 2015. Eligible counties would receive full program funding in fiscal 2019.

The disparity grant program provides noncategorical State aid to low-wealth jurisdictions for county government purposes. It was created by the State to ensure that counties, who rely on local income taxes for substantial revenue, are able to generate sufficient yield to accommodate costly required spending on education, public safety, and other essential or mandated services.

In fiscal 2010, a cap was placed on the program which holds funding at the fiscal 2010 level for eligible jurisdictions and precludes new jurisdictions from becoming eligible although they meet the specified grant criteria. If the cap stays in place, in fiscal 2014, eligible jurisdictions would forego \$24.8 million and newly eligible jurisdictions would forego \$9.6 million. HB 914 is a step in the right direction to correct this inequity.

The Department of Legislative Services has also raised the inequity of this program in its budget analysis stating that "a cap on grants adopted for fiscal 2010 inequitably excludes counties that would otherwise be eligible to receive funding." In addition, the analysis provides options for addressing this inequity.

MACo agrees that the program cap needs to be reexamined and removed to allow all jurisdictions meeting the eligibility criteria to fully benefit from the program. HB 914 employs an approach for doing so. Accordingly, MACo urges the Committee to issue a **FAVORABLE** report on HB 914.