



MARYLAND MUNICIPAL LEAGUE

Joint Legislative Workgroup to Study State, County and Municipal Fiscal Relationships

October 8, 2009

- What is MML's impression of the current fiscal relationships between the state, county and municipal governments?
 - For more than 40 years, MML has appreciated the assistance provided to municipal governments through highway user revenues and state aid for police protection.
 - These two programs account for 98% of state shared revenues provided annually to incorporated cities and towns.
 - State budget shortfalls in recent years have led to periodic reductions - particularly in highway user revenues - that have made state shared revenues a less reliable revenue source for municipal governments.

- What are the fiscal constraints (i.e., tax caps, etc.) that counties and municipalities have in place?
 - While only a total of 19 out of 157 municipalities have some form of tax cap in their charters, only 8 caps might possibly have a meaningful impact on property tax rates.
 - The remaining 11 municipal tax caps represent situations where specific portions of the property tax are dedicated to a certain use within the municipality.

- What is the division of services and tax differentials associated with this division that are provided by the county vs. those provided by municipalities?
 - Information in the most recent Department of Legislative Services' Report on County-Municipal Tax Differentials and Tax Rebates (December 2008) outlines issues for which property tax setoffs are provided.
 - There is not always agreement between county and municipal governments regarding the range of services for which offsets are provided or the level of offsets that are provided. Under current law, only seven counties are required to provide some form of property tax setoff for their municipalities.
 - MML has attached the results of a 2005 municipal services survey which outlines the breadth of services provided by various municipal governments.

- What are different considerations for the variety of services that exist in Maryland? Provide information as it applies to both the smaller and the larger municipalities.
 - Huge variability exists among municipal governments with regard to service provision. Size of a municipality is not always a consideration in the range and level of services that are provided.
 - There are both small and large cities and towns that are full-service - providing water, sewer, police, fire, planning and zoning, solid waste management and a host of other services.
 - Other municipal governments of all sizes either choose not to provide a full range of services or - especially in the Washington metropolitan area - receive services such as water, sewer, planning and zoning and police protection from large regional or county entities.

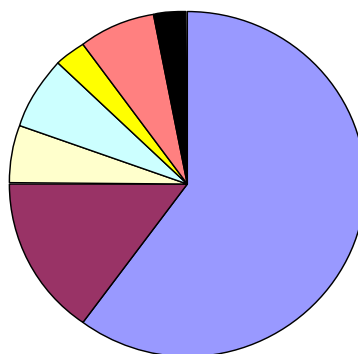
- What long term plan you have to address your budget shortfalls, so that this situation we are in does not continue to be cyclical.
 - Many municipal government officials are still analyzing their fiscal condition to make determinations on how to best cope with the cuts in highway user revenues and state aid for police protection that were recently announced.
 - MML will describe during their portion of the briefing the range of actions that cities and towns have taken or are contemplating to address these newly created shortfalls in their current-year budgets. But in most cases, long-term cures have not yet been identified.

- How you are using short term Stimulus money to leverage dollars for the future.
 - With few exceptions, little stimulus money has come to municipal governments.
 - Virtually none of the federal transportation stimulus monies have filtered down to incorporated cities and towns.
 - The 10 largest municipalities received a significant portion of energy stimulus monies and just recently, MEA announced a range of smaller grants for the majority of the remaining cities and towns.
 - Selected municipal governments have been beneficiaries of stimulus monies largely in the form of loans to assist in water and sewer service improvements as well as public safety initiatives.

• What are your expectations for the Workgroup?

- Municipal governments are hopeful that the workgroup will:
 - (1) Recommend ways to stabilize existing state shared revenues for municipalities,
 - (2) Identify and recommend potential additional resources that may be shared with municipal governments, and
 - (3) Recommend additional revenue sources and revenue raising authority for cities and towns similar to authority granted to counties to reduce our significant reliance on the property tax as our primary general fund revenue source.

Municipal General Fund Revenue Sources



Property Taxes	:59.9%
Income Taxes	:15.1%
Licenses & Permits	:5.6%
Highway User Revenues (State)	:6.7%
Police Aid (State)	:2.6%
Misc. State Aid (incl. Program Open Space, Community Legacy, business license fees, etc.)	:7.2%
Other Municipal Taxes (incl. A&A, cable TV, and boat slip taxes)	:2.9%

- Additional suggestions for what the Workgroup ought to be looking at and studying.
 - The state has taken the designated local share of highway user revenues 10 times in the past 22 years and most recently, in five of the last seven years, in order to balance the state budget.
 - The League suggests that the Committee consider whether it is desirable to provide a protective firewall of some sort to ensure that monies from the Transportation Trust Fund are used only for transportation purposes.
 - Should local governments be afforded the option of imposing a "local option" tax based on the specific needs of the community for such things as infrastructure replacement/capital improvements?

MUNICIPAL SERVICES SURVEY RESULTS FOR 157 MUNICIPALITIES

Municipal Service Provided	2005
Animal Control	18
Arts & Entertainment District	21
Airport	2
Bus System	11
Code Enforcement - Commercial	97
Code Enforcement - Residential	120
Complaint/Information Hotline	53
Community Water System/Provider	91
Economic Development Department	37
Fire Protection - Non Volunteer (Paid)	15
Grants Program Staff	41
Historic District Commission/Staff	47
Human Resources Commission	10
Leaf Collection	103
Municipal Facilities for Public Rental	62
Municipal Access Cable Television	49
Newsletter - Electronic	37
Newsletter - Paper	108
Online Bill/Fee Payment	6
Online Licensing	2
Online Permit Application	16
Online Recreation Program Sign-Up	4
Parks and Recreation Dept.	70
Planning and Zoning Staff	109
Police Department	89
Public Computer Use	5
Publicly Owned Parking Facilities	67
Public Housing Authority	13
Publicly Owned Parking Meters	37
Public Works Department	113
Recreation - Community/Senior Center	44
Recreation - Dog Park	9
Recreation - Golf Course	9
Rental Housing Licensing	51
Recreation - Ice Rink	4
Recreation - Community Pool	20
Recreation - Skate Park	21
Recreation - Gymnasium	21
Recycling - Paper/Plastic/Glass - Curbside	73
Recycling - Electronics	19
Roadside Tree Care	54
Sediment Control	32
Snow Removal	147
Social Services Programs	10
Stormwater Management Program	67
Stormwater Collection System	69
Streetlights	157
Street Maintenance	149
Tourism/Community Events Dept.	36
Trash Collection	157
Wastewater Treatment Plant	80
Website - Municipal	119
Youth Service Bureau	12