



June 26, 2020

The Honorable Larry Hogan
Governor, State of Maryland
Statehouse
Annapolis, MD 21401

The Honorable Peter Franchot
Comptroller, State of Maryland
Goldstein Treasury Building,
Room 121
Annapolis, MD 21401

The Honorable Nancy Kopp
Treasurer, State of Maryland
Goldstein Treasury Building,
Room 109
Annapolis, MD 21401

Dear Members of the Board of Public Works:

The Maryland Association of Counties (MACo) respectfully requests that you carefully consider any dramatic reductions to county Disparity Grant program. Unlike other state grants and "aid," the disparity grant is designed to promote equity across jurisdictions to overcome disparate tax bases. Counties have made difficult tax rate decisions based on the state law governing these grants - to undermine them would be especially untoward even during times of mutual fiscal strain.

While counties recognize the importance of ensuring the structural soundness of the State's budget, counties, too, are grappling with unprecedented budgetary shortfalls. MACo advocates for a balanced approach that would not result in shifting the tax burden onto the counties, or simply shifting from one revenue source to another.

Counties are making significant financial investments to address immediate public health and safety needs. At the same time, counties are experiencing massive and unprecedented declines in revenue as a result of the COVID-19 pandemic. The combined effect of these changes will likely undermine county revenue structures and support for essential services.

The disparity grant program promotes fiscal equity by providing noncategorical state aid to less affluent counties with proven local income tax effort. The program serves to ensure that counties, who rely on local income taxes for substantial revenue, are able to generate sufficient yield to fund education, public safety, roadway maintenance, and community services.

Recent years have seen State-imposed "caps" in this program that artificially lessen the effective revenue from such jurisdictions, including those who have exercised the maximum county income tax rate. Over the past five years, cap provisions have reduced state funding under the disparity grant program by approximately \$233 million.

The State will not resolve economy-driven budget pressures by shifting costs to another level of government facing the same pressures. Cutting the disparity grant program will have a disproportionate effect on less affluent counties and exacerbating pressures at the local level by

undermining county revenue structures and support for education, public health, public safety, and other essential services.

MACo and county leaders are prepared to work with state policymakers on this issue—and other considerations—as part of a responsible balanced budget plan. MACo hopes that State leaders recognize that burdens on county budgets are substantial, and these challenges would only be worsened by added cost shifts or disproportionate budget cutbacks on county programs.

Respectfully,



Sharon Green Middleton
President, MACo
Council Vice President, Baltimore City



Michael Sanderson
Executive Director, MACo