

**Proposed Amendment to SB 172/HB 162**

**Freeze Net Taxable Income Fiscal 2015 Calculation at 20%**

**Provision as Recommended by DLS:** Freezes the Net Taxable Income (NTI) grant calculation at 20% for fiscal 2015 instead of the mandated 40%. This delays the full implementation of the NTI mandated grant by one year, reaching 100% in fiscal 2019.

**Agency:** Maryland State Department of Education

**Type of Action:** Mandate Relief

**Fiscal Impact vs. Current Law:**

(\$ in Millions)

	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
GF Exp	\$0.0	-\$13.4	-\$12.0	-\$12.4	-\$12.6	\$0.0

**Background/Recent History:** Approximately 75% of State aid to public schools is distributed inversely to local wealth, whereby the less affluent school systems receive relatively more State aid. Chapter 4 of 2013 provides additional education grants to counties whose formula aid funding amount is higher when using NTI data from November in each year as compared to September. Chapter 4 phases in the grant amounts over five years, beginning in fiscal 2014. NTI educational grants to 18 counties totaled \$8.3 million in fiscal 2014 and increase to \$26.8 million in fiscal 2015.

**State Effect:** This action reduces general fund spending by \$13.4 million in fiscal 2015. Savings of approximately \$12.0 million would continue until fiscal 2019 when the grant calculation reaches 100%.

**Local Effect:** Exhibit 1 illustrates the change to NTI amounts by county if the grant calculation remains at 20% in fiscal 2015, compared to the 40% mandated under current law. All counties, except Anne Arundel (which receives slightly less), still receive more in fiscal 2015 with the 20% freeze due to changes in wealth.

**Exhibit 1**  
**Net Taxable Income Grant Amounts under Current Law and**  
**Frozen at 20% by County**  
**Fiscal 2014-2015**

<u>County</u>	<b>Current Law</b>			<b>Recommendation</b>		
	<b>20% 2014</b>	<b>40% 2015</b>	<b>Increase 2014-15</b>	<b>Freeze at 20% 2015</b>	<b>Change 2014-15</b>	<b>Allowance Reduction 2015</b>
Allegany	\$311,022	\$865,366	\$554,344	\$432,683	121,661	-\$432,683
Anne Arundel	574,459	963,665	389,206	481,833	-92,627	-481,833
Baltimore City	0	0	0	0	0	0
Baltimore	0	0	0	0	0	0
Calvert	241,825	653,800	411,975	326,900	85,075	-326,900
Caroline	171,035	445,024	273,989	222,512	51,477	-222,512
Carroll	384,283	1,163,656	779,373	581,828	197,545	-581,828
Cecil	414,167	1,225,102	810,935	612,551	198,384	-612,551
Charles	863,706	2,342,156	1,478,449	1,171,078	307,371	-1,171,078
Dorchester	140,776	376,519	235,743	188,259	47,483	-188,259
Frederick	469,554	1,314,904	845,349	657,452	187,897	-657,452
Garrett	87,005	274,463	187,458	137,231	50,227	-137,231
Harford	589,164	1,669,292	1,080,129	834,646	245,482	-834,646
Howard	0	389,216	389,216	194,608	194,608	-194,608
Kent	42,171	0	-42,171	0	-42,171	0
Montgomery	0	0	0	0	0	0
Prince George's	2,532,291	10,889,498	8,357,207	5,444,749	2,912,458	-5,444,749
Queen Anne's	71,040	273,594	202,554	136,797	65,757	-136,797
St. Mary's	311,307	906,539	595,232	453,269	141,962	-453,269
Somerset	101,023	278,374	177,351	139,187	38,164	-139,187
Talbot	0	0	0	0	0	0
Washington	648,228	1,814,208	1,165,979	907,104	258,876	-907,104
Wicomico	372,344	1,014,610	642,266	507,305	134,961	-507,305
Worcester	0	0	0	0	0	0
<b>Total</b>	<b>\$8,325,402</b>	<b>\$26,859,985</b>	<b>\$18,534,583</b>	<b>\$13,429,992</b>	<b>\$5,104,591</b>	<b>-\$13,429,992</b>

Source: Department of Legislative Services