

**BALTIMORE COUNTY COUNCIL  
NOTES TO THE AGENDA  
LEGISLATIVE SESSION 2013**

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*Issued: May 22, 2013*

*Legislative Day No. 10 : May 23, 2013 - BUDGET*

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*The accompanying notes are  
compiled from unaudited  
information provided by  
the Administration and  
other sources.*



OFFICE OF THE COUNTY AUDITOR

**BALTIMORE COUNTY COUNCIL**

**May 23, 2013**

**BUDGET**

**NOTES TO THE AGENDA**

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**Bill 26-13 (Annual Appropriation)**
**Council District(s) All**


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**Mr. Quirk (By Req.)**


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**Office of Budget and Finance**


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**Annual Budget and Appropriation Ordinance of Baltimore County**


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The Administration is requesting approval of annual appropriations to the FY 2014 Operating and Capital Budgets totaling \$1,889,248,633 and \$339,365,566, respectively. In addition, the Administration requests approval of the 5-year Capital Program for fiscal years 2015 through 2019 totaling \$572,960,000. The proposed Operating Budget consists of appropriations to the following funds:

General Fund	\$ 1,724,591,528
Gifts and Grants Fund	159,280,073
Stormwater Management Fund	2,557,566
Economic Development Revolving Financing Fund	2,150,000
Liquor License Fund	669,466
Total Proposed Operating Budget	<u>\$ 1,889,248,633</u> *

\* Includes \$5,608,280 of appropriations in both the General Fund and other operating funds (i.e., local share match in the Gifts and Grants Fund). Excludes \$893,790,034 of non-County funds (grants, tuition, fees) as authorized spending for the Departments of Education, Community College, Libraries, and Social Services.

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**Fiscal Summary**

<b>Funding Source</b>	<b>Appropriation</b>	<b>Notes</b>
<b>County</b>	\$ 1,724,591,528 (1)	(1) General Fund Operating Budget.
<b>Special Funds</b>	164,657,105 (2)	(2) Excludes \$893.8 million of non-County special funds not subject to Council appropriation; includes \$5,608,280 also appropriated in the General Fund as a Local Share match.
<b>Total Operating</b>	1,889,248,633 (3)	(3) Includes \$26,560,079 also appropriated in the General Fund (PAYGO).
<b>Capital Budget</b>	339,365,566 (4)	(4) Includes \$32,168,359 in appropriation transfers for Local Share and PAYGO; net expenditures total \$2,196,445,840.
<b>Total</b>	<b>\$ 2,228,614,199</b>	

**Analysis**

The proposed appropriations for the Operating Budget total \$1.89 billion, an increase of \$59.3 million, or 3.2%, over the total FY 2013 adjusted appropriations. (FY 2013 adjusted appropriations total \$1.83 billion and include approximately \$4.2 billion of supplemental appropriations not reflected in the Executive’s FY 2014 budget documents.) The General Fund portion of the budget increases by \$67.1 million (4.0%), and the Special Fund portion decreases by \$7.8 million (4.5%). The proposed FY 2014 appropriation to the Capital Budget of \$339.4 million (for the “on-year” of the biennial Capital budgeting process) represents an increase of \$252.5 million from the FY 2013 appropriation of \$86.9 million.

Appropriations to the General Fund Operating Budget for FY 2014 include \$26.6 million for PAYGO contributions to the Capital Budget, \$5.6 million for local share contributions to the Gifts and Grants Fund Budget, and \$1 million of un-earmarked funds to the Reserve for Contingencies. The \$1.72 billion FY 2014 General Fund Operating Budget is supported by \$1.68 billion of estimated ongoing revenues; the balance of the budget is funded by \$39.6 million of surplus funds (Unassigned General Fund Balance). The proposed FY 2014 General Fund budget complies with the spending and debt guidelines recommended by the Spending Affordability Committee.

The bill includes approval of planned spending for the 5-year Capital Program (not including sewerage and water projects) for FY 2015 to FY 2019, which totals \$573 million as follows:

<u>Fiscal Year</u>	<u>Planned Spending (\$ Millions)</u>
2015	\$ 0 <sup>(1)</sup>
2016	290,129
2017	0 <sup>(1)</sup>
2018	282,831
2019	0 <sup>(1)</sup>
Total	<u>\$ 572,960</u>

<sup>(1)</sup> FY 2015, 2017, and 2019 are the “off-years” of the biennial Capital budgeting process.

The bill excludes non-County funds (e.g., federal and state grants, tuition, and fees received directly by certain agencies) totaling \$893,790,034. Such non-County funds are reflected in the Executive’s proposed budget as spending authorizations for Education, Community College, Libraries, and Social Services as follows:

Education	\$ 672,537,315
Community College	213,555,593
Libraries	7,382,337
Social Services	314,789
Total Non-County Funds	<u>\$ 893,790,034</u>

Together with the non-County funds, the Executive’s combined proposed operating budget totals \$2,783,038,667.

The bill excludes \$188,382,800 of Metropolitan District Operating Funds and \$383,676,546 of Metropolitan District Capital Funds. In addition, the amount indicated above for the 5-year Capital Program for FYs 2015 through 2019 excludes \$981,450,000 of planned spending for Metropolitan District sewerage and water projects. Metropolitan District Operating and Capital Fund amounts are excluded because generally accepted accounting standards require this Fund to be classified as an enterprise fund (i.e., a self-supporting business-type activity), which is not subject to annual appropriation authority. Other enterprise funds excluded from the bill total \$52.4 million, consisting of \$10.5 million for the Community College’s Auxiliary Enterprise Fund (bookstore) and \$41.9 million for the BCPS’ Food and Nutrition Services Fund.

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On May 16, 2013, the Council deliberated on the proposed FY 2014 budget and developed an amendment to reduce the budget as follows:

<u>Program</u>	<u>Proposed Budget</u>	<u>Reduction</u>	<u>Amended Budget</u>
Building Operations & Management	\$17,378,836	\$ 100,000	\$17,278,836

With the affirmative vote of five members of the County Council, Bill 26-13, as amended, will take effect July 1, 2013.

Bill 27-13

Council District(s) All

Mr. Quirk (By Req.)

## Office of Budget and Finance

## Property Tax Rate

This bill proposes to levy a property tax rate of \$1.10 per \$100 of assessed real property value and \$2.75 per \$100 of assessed personal property value for FY 2014. In addition, the bill proposes not to impose a semi-annual fee on the second semi-annual property tax bill as authorized by Section 10-204.3 of the Tax-Property Article of the Annotated Code of Maryland.

## Fiscal Summary

Funding Source	Estimated Revenue	Notes
County	\$ 855,326,583	(1) Estimated FY 2014 property tax revenues, excluding the estimated State reimbursement for the Homeowners' tax credit totaling \$9.2 million and collections of prior year taxes.
State	--	
Federal	--	
Other	--	
<b>Total</b>	<b>\$ 855,326,583</b>	

## Analysis

The proposed property tax rate of \$1.10 per \$100 of assessed real property value and \$2.75 per \$100 of assessed personal property value will generate estimated revenue totaling \$855,326,583 in FY 2014 according to the Office of Budget and Finance. This revenue estimate is net of discounts, credits (e.g., Homeowners' and Homestead tax credits), and other adjustments totaling \$65,524,772. The total amount of discounts, credits, and other adjustments is decreasing in FY 2014 by \$29.0 million (i.e., from \$94.5 million in FY 2013 to

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\$65.5 million in FY 2014), which is primarily attributable to the decrease in the Homestead tax credit (4% cap on annual assessment increases).

FY 2014 estimated property tax revenues, combined with estimated prior year delinquent taxes to be collected (including penalties and interest) and payments in lieu of taxes, total \$860,143,219, which represents 51.0% of the total estimated General Fund revenues (excluding surplus funds used). This total property tax revenue represents an increase of 0.6% over FY 2013 estimated property tax revenue totaling \$854.7 million.

The proposed tax rate of \$1.10 for FY 2014 is \$0.0068 lower than the constant yield tax rate of \$1.1068. The constant yield tax rate is the rate that would offset the effect of increasing assessments to maintain the same revenues from year-to-year. Each penny (\$0.01) of the tax rate yields approximately \$7.4 million in estimated property tax revenues (net of discounts and credits) for FY 2014.

According to State law, property owners are permitted to pay real property taxes for a principal residence in semi-annual installments. However, homeowners may choose to pay in one installment on or before September 30 of each year to avoid a semi-annual service charge, if any, which may equal up to 1.5% of the second installment plus an additional 0.15% to cover the administrative costs of the semi-annual payment program. Specifically, Section 10-204.3 of the Tax-Property Article of the Annotated Code of Maryland allows a service charge to be imposed on the second installment of any property tax bill paid semi-annually, provided that the service charge is reasonably equivalent to the administrative cost of the program, and requires that any such service charge be adopted by the governing body as a part of the adoption of the property tax rate. For FY 2014, no service charge is being proposed. FY 2014 marks the 14th consecutive year the County has elected not to impose a semi-annual service charge. Based on an estimate provided by the Office of Budget and Finance, the additional revenue that could be generated by assessing a fee would total approximately \$125,000.

With the affirmative vote of at least five members of the County Council, Bill 27-13 will take effect July 1, 2013.