

**BALTIMORE COUNTY COUNCIL  
NOTES TO THE AGENDA  
LEGISLATIVE SESSION 2015**

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*Issued: May 20, 2015*

*Legislative Day No. 10 : May 21, 2015 - 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 21, 2015**

**BUDGET**

**NOTES TO THE AGENDA**

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Bill 32-15 (Annual Appropriation)

Council District(s) All

Mrs. Bevins (By Req.)

Office of Budget and Finance

Annual Budget and Appropriation Ordinance of Baltimore County

The Administration is requesting approval of annual appropriations to the FY 2016 Operating and Capital Budgets totaling \$2,127,860,770 and \$375,285,871, respectively. In addition, the Administration requests approval of the 5-year Capital Program for fiscal years 2017 through 2021 totaling \$689,241,980. The proposed Operating Budget consists of appropriations to the following funds:

General Fund	\$ 1,953,036,730
Gifts and Grants Fund	166,093,099
Economic Development Revolving Financing Fund	6,200,000
Stormwater Management Fund	1,808,250
Liquor License Fund	722,691
Total Proposed Operating Budget	<u>\$ 2,127,860,770</u> *

\* Includes \$6,116,223 of appropriations in both the General Fund and other operating funds (i.e., local share match in the Gifts and Grants Fund). Excludes \$938,164,102 of non-County funds (grants, tuition, fees) as authorized spending for the Departments of Education, Community College, Libraries, and Social Services.

**Fiscal Summary**

<b>Funding Source</b>	<b>Appropriation</b>	<b>Notes</b>
<b>County</b>	\$ 1,953,036,730 (1)	(1) General Fund Operating Budget.
<b>Special Funds</b>	174,824,040 (2)	(2) Excludes \$938.2 million of non-County special funds not subject to Council appropriation; includes \$6,116,223 also appropriated in the General Fund as a Local Share match.
<b>Total Operating</b>	<u>2,127,860,770</u>	
<b>Capital Budget</b>	375,285,871 (3)	(3) Includes \$101,826,266 also appropriated in the General Fund (PAYGO).
<b>Total</b>	<u><u>\$ 2,503,146,641</u></u> (4)	(4) Includes \$107,942,489 in appropriation transfers for Local Share and PAYGO; net expenditures total \$2,395,204,152.

**Analysis**

The proposed appropriations for the FY 2016 Operating Budget total \$2.13 billion, an increase of \$83.1 million, or 4.0%, over the total FY 2015 adjusted appropriations. (FY 2015 adjusted appropriations total \$4.1 billion and include approximately \$3.2 billion of supplemental appropriations not reflected in the Executive’s FY 2016 budget documents). The General Fund portion of the budget increases by \$88.1 million (4.7%), and the Special Fund portion decreases by \$4.9 million (2.8%). The proposed FY 2016 appropriation to the Capital Budget of \$375.3 million (for the “on-year” of the biennial Capital budgeting process) represents an increase of \$121.4 million from the FY 2015 adjusted appropriation of \$253.9 million.

Appropriations to the General Fund Operating Budget for FY 2016 include \$101.8 million for PAYGO contributions to the Capital Budget, \$6.1 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 \$1.95 billion FY 2016 General Fund Operating Budget is supported by \$1.86 billion of estimated ongoing revenues; the balance of the budget is funded by \$90.9 million of surplus funds (Unassigned General Fund Balance). The proposed FY 2016 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 2017 to FY 2021, which totals \$689.2 million as follows:

<u>Fiscal Year</u>	<u>Planned Spending (\$ Millions)</u>
2017	\$ 41,990 <sup>(1)</sup>
2018	305,029
2019	18,514 <sup>(1)</sup>
2020	305,195
2021	18,514 <sup>(1)</sup>
Total	<u>\$ 689,242</u>

<sup>(1)</sup> FY 2017, FY 2019, and FY 2021 are the “off-years” of the biennial Capital budgeting process.

The bill excludes non-County funds (federal and state grants, tuition, and fees received directly by certain agencies) totaling \$938,164,102. 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	\$ 730,775,413
Community College	199,798,790
Libraries	7,323,500
Social Services	266,399
Total Non-County Funds	<u>\$ 938,164,102</u>

Together with the non-County funds, the Executive’s combined proposed operating budget totals \$3,066,024,872.

The bill excludes \$203,202,634 of Metropolitan District Operating Funds and \$494,377,472 of Metropolitan District Capital Funds. In addition, the amount indicated above for the 5-year Capital Program for FYs 2017 through 2021 excludes \$980,050,000 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 \$55.6 million, consisting of \$45.6 million for Education’s Food and Nutrition Services Fund and \$10.0 million for the Community College’s Auxiliary Enterprise Fund (bookstore).

On May 14, 2015, the Council deliberated on the proposed FY 2016 budget and developed an amendment to reduce the operating and capital budgets as follows:

<u>Program</u>	<u>Proposed Budget</u>	<u>Reduction</u>	<u>Amended Budget</u>
<b>Operating Budget</b>			
<u>Board of Elections</u>			
Register Voters/Conduct Elections	\$ 6,049,706	\$ 800,000	\$ 5,249,706
<u>(PAYGO) Contribution to Capital Budget</u>			
(PAYGO) Contribution to Capital Budget *	67,452,800	441,000	67,011,800
<u>Organization Contributions</u>			
Organization Contributions Program	2,802,300	13,100	2,789,200
<b>Operating Budget</b>		<u>1,254,100</u>	
<b>Capital Budget</b>			
<u>General Government Buildings –</u>			
Enhanced Productivity Thru Technology Project	9,190,300	441,000	8,749,300
<b>Total Reductions</b>		<u>\$1,695,100</u>	

\* General Government Program (reduction does not affect the BCPS PAYGO Program, which totals \$34,373,466).

With the affirmative vote of five members of the County Council, Bill 32-15 will take effect July 1, 2015.

Bill 33-15

Council District(s) All

Mrs. Bevins (By Req.)

Office of Human Resources

## Personnel Law of Baltimore County

Bill 33-15 proposes to change the County's Classification and Compensation Plans pursuant to the recommendation of the Personnel and Salary Advisory Board.

The Administration is requesting an amendment to the County Classification and Compensation Plans to reflect changes related to the cost of living adjustment (COLA) and other proposed salary changes for FY 2016. Accordingly, the proposed bill amends various merit system pay schedules, certain job classifications and pay grades, and certain regulations contained within the personnel law. The estimated cost of these changes totals approximately \$15.6 million for FY 2016 and is included in the proposed FY 2016 operating budget. The executive summary provided by the Administration is attached. See Exhibit A.

## Fiscal Summary

Salary Change	FY 2016 Estimated Cost	Notes
<b>3% COLA</b>	\$ 14,383,746	(1)
<b>Amended Job Classes</b>	1,167,234	(2)
<b>New Job Classes</b>	4,048	(3)
<b>Total</b>	<u>\$ 15,555,028</u>	(4)

With the affirmative vote of five members of the County Council and signature by the County Executive, Bill 33-15 will take effect on July 1, 2015.

Summary for Bill 33-15

This legislation will amend the Classification and Compensation Plans as recommended by the Personnel and Salary Advisory Board and implement changes to Section I Pay Schedule X Fire Department Supplementary Salaries and Section IV Shift Differential for employees represented by the Fraternal Order of Police Lodge IV. Funds have been included in the General Fund Budget for FY2016.

Section I will be amended to provide a 3% adjustments to Pay Schedules I, I-C, II, III, IV, V, VI, VII, VIII, XI, XII, and XIII effective July 1, 2015. In addition, Pay Schedule I-E will be established for Pay Schedule I employees working in the Communications Center. Pay Schedule X Fire Department Supplemental Salaries will be amended to change the supplements as agreed upon through labor negotiations.

Section II will be amended to establish 2 new classes, repeal and reenact with amendments 2 classes, 7 classes will repealed and reenacted with amendments to provide a grade reallocation, 113 classes will be repealed and reenacted to provide a grade reallocation, and abolish 1 class, effective July 1, 2015.

Bill 34-15

Council District(s) All

Mrs. Bevins (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 2016. 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	\$ 878,730,446	(1) Estimated FY 2016 property tax revenues, excluding the estimated State reimbursement for the Homeowners' tax credit totaling \$8.5 million and collections of prior year taxes.
State	--	
Federal	--	
Other	--	
<b>Total</b>	<b>\$ 878,730,446</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 revenues totaling \$878,730,446 in FY 2016 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 \$40,747,561. The total amount of discounts, credits, and other adjustments is decreasing in FY 2016 by \$7.5 million (i.e., from \$48.3 million in FY 2015), which is primarily attributable to the decrease in the Homestead Tax Credit (4% cap on annual assessment increases).

FY 2016 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 \$884,330,446, which represents 47.5% of total estimated General Fund revenues (excluding surplus funds used). This total property tax revenue represents an increase of 2.1% over FY 2015 estimated property tax revenues totaling \$866.4 million.

The proposed tax rate of \$1.10 for FY 2016 is \$0.0126 higher than the constant yield tax rate of \$1.0874. 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 \$7.7 million in estimated property tax revenues (net of discounts and credits) for FY 2016.

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 2016, no service charge is being proposed. FY 2016 marks the 16th consecutive year the County has elected not to impose a semi-annual service charge. The Office of Budget and Finance advised that the additional revenue that would be generated by assessing the maximum fee would total approximately \$416,300.

With the affirmative vote of at least five members of the County Council, Bill 34-15 will take effect July 1, 2015.