

**BALTIMORE COUNTY COUNCIL
NOTES TO THE AGENDA
LEGISLATIVE SESSION 2023**

Issued: May 24, 2023

Legislative Day No. 12: May 25, 2023 - BUDGET

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



OFFICE OF THE COUNTY AUDITOR

BALTIMORE COUNTY COUNCIL

May 25, 2023

BUDGET

NOTES TO THE AGENDA

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Bill 27-23 (Annual Appropriation)

Council District(s) All

Mr. Jones (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 2024 Operating and Capital Budgets totaling \$3,067,634,175 and \$625,175,260, respectively. In addition, the Administration requests approval of the 5-year Capital Program for fiscal years 2025 through 2029 totaling \$865,667,711. On May 18, 2023, the Council signaled its intent to approve one \$500,000 General Fund budget reduction to the Administration program of the Education budget. This planned change will be reflected as an amendment to the budget bill.

The proposed Operating Budget (as amended) consists of appropriations to the following funds:

General Fund	\$ 2,710,008,515
Gifts and Grants Fund	334,703,072 (1)
Housing Opportunity Fund	19,300,000
Neglected Property Community Fund	1,500,000
Liquor License Fund	932,588
Economic Development Revolving Financing Fund	690,000
Total Proposed Operating Budget	<u>\$ 3,067,134,175 (2)</u>

(1) Includes \$11,783,835 in County funds also appropriated in the General Fund Local Share Program.

(2) Excludes \$1,401,581,798 of non-County funds (grants, tuition, fees) as authorized spending for Education, Community College, Libraries, and Social Services.

Fiscal Summary

Funding Source	Appropriation	
County	\$ 2,710,008,515	(1)
Special Funds	357,125,660	(2)
Total Operating	3,067,134,175	
Capital Budget	625,175,260	(3)
Total	3,692,309,435	(4)

- (1) General Fund Operating Budget.
- (2) Excludes \$1,401,581,798 of non-County funds not subject to Council appropriation; includes \$11,783,835 also appropriated in the General Fund’s Local Share Program.
- (3) Includes \$173,912,191 also appropriated in the General Fund for PAYGO Contributions to Capital (General Government and within BCPS).
- (4) Includes \$185,696,026 in multiple-appropriation transfers; net appropriations total \$3,506,613,409.

Analysis

The proposed appropriations for the FY 2024 Operating Budget total \$3.067 billion, and the proposed appropriations for the FY 2024 Capital Budget (for Consolidated Public Improvement projects only) total \$625.2 million.

As proposed, General Fund Operating Budget appropriations for FY 2024 include \$173.9 million for PAYGO contributions to the Capital Budget, \$11.9 million for local share contributions to the Gifts and Grants Fund Budget, and \$2.5 million of un-earmarked funds to the Reserve for Contingencies Program. The \$2.710 billion FY 2024 General Fund Operating Budget is supported by \$2.544 billion of estimated revenues (including \$10.8 million in reimbursements from other funds); the balance of the budget is funded by \$165.8 million of Surplus funds (Unassigned General Fund Balance).

The budget ordinance includes approval of planned spending for the 5-year Capital Program (not including sewerage and water projects) for FY 2025 to FY 2029, which totals \$865.7 million as follows:

<u>Fiscal Year</u>	<u>Planned Spending (\$ in Thousands)</u>
2025	\$ 41,680 ⁽¹⁾
2026	379,246
2027	35,517 ⁽¹⁾
2028	368,756
2029	40,469 ⁽¹⁾
Total	<u>\$ 865,668</u>

⁽¹⁾ FY 2025, FY 2027, and FY 2029 are the “off-years” of the biennial Capital budgeting process.

The Operating Budget program appropriations exclude non-County operating funds (federal and State grants, tuition, and fees received directly by certain agencies) totaling \$1,401,581,798. 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	\$ 1,193,212,402
Community College	199,434,651
Libraries	8,614,719
Social Services	320,026
Total Non-County Funds	<u>\$ 1,401,581,798</u>

Together with the non-County funds, the Executive’s combined proposed operating budget totals \$4,468,715,973.

The bill excludes \$356,801,320 of Metropolitan District Operating Funds and \$751,369,336 of Metropolitan District Capital Funds. In addition, the amount indicated above for the 5-year Capital Program for FYs 2025 through 2029 excludes \$987,928,000 of planned spending for Metropolitan District sewerage and water projects. Other enterprise funds excluded from the bill total \$59,827,951, consisting of \$58,479,779 for Education’s Food and Nutrition Services Fund, \$738,172 for the Recreational Facilities Fund, and \$610,000 for the Community College’s Auxiliary Enterprise Fund (book store).

Bill 27-23 as amended will take effect July 1, 2023.

Bill 28-23

Council District(s) All

Mr. Jones (By Req.)

Office of Budget and Finance

Property Tax

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 2024. 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	
County	\$ 1,153,337,507	(1)
State	--	
Federal	--	
Other	--	
Total	<u>\$ 1,153,337,507</u>	

(1) Estimated FY 2024 property tax revenues, including the estimated State reimbursement for the Homeowners' tax credit totaling \$8.5 million, and excluding collections of prior year taxes, heavy equipment tax, penalties, interest and PILOTs. This amount reflects the Office of Budget and Finance revised estimate; the original submitted budget erroneously offset recordation and transfer tax revenue amounts by the estimated amount of certain property tax credits. The Office advised that the Adopted Budget document will reflect corrected estimates for property, recordation, and transfer tax revenues.

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 \$1,153,337,507 in FY 2024 according to the Office of Budget and Finance. This revenue estimate

is net of discounts, credits (e.g., homestead tax credit), and other adjustments totaling \$64,753,945. The total amount of discounts, credits, and other adjustments in FY 2024 is slightly above the FY 2023 level of \$64,623,799.

FY 2024 estimated property tax revenues, combined with heavy equipment taxes and penalties and interest on delinquent taxes, total \$1,152,742,415*. This total property tax revenue represents an increase of 4.9% over FY 2023 estimated property tax revenues totaling \$1,098,785,286. (**This amount reflects the Office of Budget and Finance revised estimate; the original submitted budget erroneously offset recordation and transfer tax revenue amounts by the estimated amount of certain property tax credits. The Office advised that the Adopted Budget document will reflect corrected estimates for property, recordation, and transfer tax revenues.*)

The proposed tax rate of \$1.10 for FY 2024 is \$0.0289 higher than the constant yield tax rate of \$1.0711. 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. According to the submitted budget documents, each penny (\$0.01) of the tax rate yields approximately \$10.2 million in estimated property tax revenues (net of discounts and credits) for FY 2024.

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 2024, no service charge is being proposed. FY 2024 marks the 24th 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 \$310,178.

With the affirmative vote of at least five members of the County Council, Bill 28-23 will take effect July 1, 2023.

Bill 29-23**Council District(s) All**

Mr. Jones (By Req.)

Personnel Law of Baltimore County

Bill 29-23 is intended to implement changes to the Classification and Compensation Plan as recommended by the Personnel and Salary Advisory Board and as required as a result of labor negotiations for FY 2024. The bill also states that the County Executive has approved the recommendations.

Section 1 of the bill (as introduced) provides that Pay Schedules I, I-C, I-E, II, III, IV, V, VI, VI-P, XI, XII, and XIII of the Standard Salary Grades for Classified employees are amended to adjust the pay schedules on July 1, 2023.

Section 2 of the bill (as introduced) provides that Pay Schedules I, II, IV, V, VI, VI-P, XI, and XII of the Standard Salary Grades for Classified employees are amended to adjust the pay schedules on January 1, 2024.

Section 3 of the bill (as introduced) corrects an error in Pay Schedule VII regarding a mid-fiscal-year addition of pay grade 27P from Bill 31-22, which is to be applied retroactively to January 1, 2023.

Section 4 of the bill (as introduced) amends pay grades for four Pay Schedule VII positions (increasing the pay grades for Captain, Major, Colonel, and Deputy Chief of Police each by 1 grade) to reflect changes that were omitted from Bill 31-22, which are to be applied retroactively to January 1, 2023.

Section 5 of the bill (as introduced) increases pay grades for 21 positions (by 3 grades for Emergency Communications Tech Trainees; by 2 grades for Emergency Communications Tech I, Deputy Sheriff, Police Officer, Probationary Firefighter, and Probationary EMT positions; and by 1 grade for 4 non-entry-level Emergency Communications positions, 7 Corrections positions, 3 non-entry-level Sheriff positions, and Public Health Nurses), effective July 1, 2023.

On May 24, 2023, the Administration submitted substantive amendments to the bill. Within Section 1, effective July 1, 2023, for Pay Schedule V, the amendments add two grades, 16F2 and 19F2, and correct amounts for the 29-year longevity for all grades. Within Section 2, effective January 1, 2024, for Pay Schedule V, the amendments add the same two grades (as in Section 1). Last, the amendments transfer EMS Lieutenant and EMS Captain positions to the new pay grades 16F2 and 19F2, respectively. Additional changes reflected in the requested amendments are technical in nature.

The Administration advised that the FY 2024 budget, as submitted, reflects the full amount of the bill and requested amendments. See Exhibit A for the specific adjustments and associated salary cost impacts, as provided by the Administration.

In accordance with County Code, § 5-1-105, the Office of Budget and Finance provided an actuarial analysis of the retirement-related fiscal impact of Bill 29-23; however, the actuarial analysis provided was applicable only to a portion of the changes implemented by Sections 1 and 2 of the bill (as amended, by the Administration's requested amendments to Sections 1 and 2 of Bill 29-23). Specifically, the County's actuary estimated that a 2% Cost of Living Adjustment (COLA) in July 2023, along with a 2% COLA in January 2024, for all County employees would result in the following retirement-related fiscal impacts:

- a \$9.6 million increase to the County's ARC for FY 2025, with \$5.7 million attributable to Police, \$2.0 million attributable to Fire, \$1.6 million attributable to General Government, and \$0.3 million attributable to Corrections;
- more than \$100 million of cumulative increases to the ARC over the next ten years; and
- more than a half of a percentage point reduction to the System's funded status next year.

County Code, § 5-1-105, requires that "for any cost of living adjustment or other employee salary scale adjustments proposed in the annual expense budget or for any personnel or retirement-related legislation submitted to the county council, the director of the office of budget and finance shall attach a statement to the budget bill or other legislation on the date the bill is introduced that contains the following:

- (1) The full annualized salary cost of the adjustment, by Fund and Department;
- (2) Any secondary or other costs, by Fund and Department, for each fiscal year over the full actuarial amortization period for each associated actuarial accrued liability, including the resulting estimated increase to the actuarially determined employer contribution to the Employees' Retirement System; and

- (3) The total impact on the actuarial accrued liability of the Employees' Retirement System, by employee group, as determined by the County's actuary.”

Because the Office of Budget and Finance did not provide an actuarial analysis of the retirement-related fiscal effects of all the changes reflected in Bill 29-23 (including pay grade reallocations and other salary step and longevity adjustments within pay grades), we believe this situation may constitute a violation of the aforementioned section of the County Code.

The Office of Budget and Finance advised that it anticipates that an additional personnel bill is forthcoming for certain public safety Supervisory, Management, and Confidential (SMC) groups. The Office further advised that it will have the County's actuary provide an update at that time that will reflect all labor negotiated changes.

With the affirmative vote of five members of the County Council and signature by the Executive, Bill 29-23 will take effect July 1, 2023, except that, as noted, certain sections of the bill will apply retroactively to January 1, 2023.

Executive Summary

Bill 29-23 Fiscal Impact				
I. PAY SCALE ADJUSTMENTS				
Cost of Living Adjustment (COLA) 2% increase on 7/1/23 and 2% increase effective on 1/1/24				FY 2024 Budget Impact
General Government				\$ 6,967,183
			TOTAL	\$ 6,967,183
PAY SCALE ADJUSTMENTS	Pay Schedule	FY24 Adjustment		FY 2024 Budget Impact
FPE	I	2% Jul; 2% Jan COLA		\$ 1,669,276
FPE I-C	I-C	3% COLA; 13-yr longevity added		\$ 642,662
FPE I-E	I-E	3% COLA; 13-yr longevity added		\$ 336,308
AFSCME	II	2% Jul; 2% Jan		\$ 862,746
BCFPHN	III	3% COLA		\$ 214,160
Police- FOP #4	IV	2% Jul; added 7th Step; changed the min rate for each grade; added \$1,000 to yr 9 and above for PO and POFC only, added longevities 9,12,14,16,18, & 20; 2% Jan changed longevity from 29 to 27		\$ 5,909,195
Fire - IAFF	V	Added \$2,150 to base plus \$1,000 to FADO/Fire Specialists; added longevity 11; Jan 1 \$1,650 added to base		\$ 4,436,452
Sheriff	XIII	Dep Sheriffs 4S to 6S; DFC 5S to 6S start at Step 3; Dep Sheriff Sgts 7S to 8S Dep LTs 9S to 10S; 13-yr longevity; 3%- 7/1		\$ 283,452
			Total	\$ 14,354,251
II. CLASSIFICATIONS AND GRADES				
REALLOCATION OF PAY GRADE effective 7/1/23	Pay Schedule	Current Pay Grade	Proposed Pay Grade	FY 2024 Budget Impact
Emergency Communications Tech Trainee	I-E	2E	5E	\$ 441,725
Emergency Communications Tech I	I-E	3E	5E	\$ 223,502
Emergency Communications Tech II	I-E	5E	6E	\$ 181,640
Emergency Communications Asst Supvr	I-E	6E	7E	\$ 59,181
Emergency Communications Supvr	I-E	7E	8E	\$ 69,902
Correctional Officer	I-C	2C	3C	\$ 757,204
Correctional Dietary Officer	I-C	2C	3C	\$ -
Correctional Classification Officer	I-C	3C	4C	\$ 68,618
Correctional Corporal	I-C	3C	4C	\$ 11,080
Correctional Sergeant	I-C	5C	6C	\$ 170,190
Correctional Dietary Sergeant	I-C	5C	6C	\$ -
Correctional Lieutenant	I-C	7C	8C	\$ 64,011
Deputy Sheriff	XIII	4S	6S	\$ 197,354
Deputy Sheriff First Class	XIII	5S	6S	\$ 175,599
Deputy Sheriff Sergeant	XIII	7S	8S	\$ 18,331
Deputy Sheriff Lieutenant	XIII	9S	10S	\$ 9,363
Police Officer	IV	9P	11P	\$ 2,490,733
Public Health Nurse	III	17N	18N	\$ 344,919
Criminal Records Processor II (Emergency Essential)	I	21	22	\$ 61,691
Probationary Firefighter	V	6F	8F	\$ 270,073
Probationary EMT	V	6F	8F	\$ 296,368
Emergency Medical Services Lieutenant	V	16F	16F2	\$ 93,000
Emergency Medical Services Captain	V	19F	19F2	\$ 33,000
Emergency Communications Manager	VII	31	32	\$ 35,879
Impact of Bill 8-23				\$ 335,342
				\$ 6,408,706

Prepared by: Office of Budget and Finance (received May 24, 2023)