



Senate Bill 57

Budget Reconciliation and Financing Act of 2015

MACo Position: **SUPPORT**
WITH AMENDMENTS

To: Budget & Taxation Committee

Date: March 4, 2015

From: Andrea Mansfield

The Maryland Association of Counties (MACo) **SUPPORTS SB 57 WITH AMENDMENTS**. This bill is the Budget Reconciliation and Financing Act (BRFA), reconciling various provisions incorporated into the Administration's FY 2016 fiscal plan, bringing the proposed budget into balance for the year.

In recent years, county governments have borne more than their fair share of state budget cutbacks. Two massive fiscal shifts (highway user revenues and teacher pensions) have already amounted to billions in new burdens on county budgets and taxpayers. Add in the cumulative effects on police protection, health departments, local jails, recreation programs, and other cuts and cost-shifts, and no area of state funding has been reduced like support for local government programs. These reductions compound an already difficult economy and a still-rising need for local services.

MACo appreciates the difficult task of constructing a balanced budget plan. However, MACo is concerned with components of the BRFA and their future effect on local governments. It also has concerns with further budget reductions included in the Department of Legislative Services' (DLS) budget analyses. MACo's testimony will address these areas.

Education Funding Reductions

Education funding is being reduced by \$76.1 million by freezing the per pupil amount used in the education formulas and delaying the implementation of the change in the wealth calculation attributed to Net Taxable Income. While not a statutory change required in the BRFA, the Geographic Cost of Education Index is being cut in half, a reduction of \$64.6 million. Counties provide almost half of all local school system revenues, and education spending accounts for half of many county budgets. Reductions in education funding – including actual cutbacks to 10 county boards when compared to the prior fiscal year – will place enormous increased pressure on the counties to provide dollars for public schools, even on top of the still-increasing burden of teacher pension costs shifted to county governments.

Flat Funding of Programs and/or Rolling Back Formula Increases

One year after formula funding was restored and additional funding provided for some programs, the Governor's proposed FY 2016 proposed budget seeks to roll back virtually all of these increases, sending distributions in most areas of direct aid to county governments back toward the deepest

levels of the great recession. Given sluggish revenue growth, federal budget uncertainties, and potential changes in out-of-state income taxation, counties will have substantial difficulties absorbing these reductions.

Local health departments

Funding for local health departments, funded at a high of almost \$70 million prior to FY 2009, is again being rolled back to the FY 2014 level of \$41.7 million. The elimination of formula-driven inflationary increases, which were restored as an offset to the teacher pension shift two years ago, will reduce funding by \$7.8 million in FY 2016 and \$5.9 million for FY 2015. Local health departments are finding it difficult to absorb these reductions. More than two-thirds anticipate laying off employees (some already have). Other actions to be taken include, but are not limited to: reducing or eliminating dental services for low income residents; reducing immunization service availability; reducing home visiting and case management services; and eliminating special, targeted prevention initiatives.

Police Aid

Funding for police aid, only recently restored (nominally as an offset to the teacher pension shift), is rolled back to the FY 2014 funding level of \$67.3 million for FY 2015 and 2016. Of even greater concern is a \$25.5 million reduction recommended by DLS. Police aid funds a wide range of local law enforcement activities and personnel expenses. A funding reduction of this magnitude would directly undermine the number of officers on the street and their ability to reduce violent crime, prosecute gun offenders and gang members, serve arrest warrants, and other law enforcement activities. MACo urges the committee to reject this added reduction.

Community Colleges and Libraries

Formula adjustments are reducing community college funding by \$13 million and libraries by \$2.3 million. Counties provide substantial funding to both of these entities and fully support the educational opportunities provided by each. State reductions will place enormous increased pressure on the counties to provide dollars to maintain services.

Park Lands – Payment in Lieu of Taxes

These payments, totaling \$2.5 million, offset the loss in property tax revenues attributed to State park lands, which are exempt from the local property tax. Over the past several years, these payments have been reduced to balance the State's budget and are again being reduced in the BRFA for FY 2015 and 2016. Providing services to these areas without revenues for this specific purpose draws funds away from other parts of the county budget.

Program Open Space

The BRFA includes a provision to delete a statutorily required repayment for Program Open Space funding. Although this repayment provision dates back several years, the State should maintain its commitment to restore this funding.

Video Lottery Terminal Impact Grants

These grants are provided to seven jurisdictions for needed services surrounding State-placed gaming facilities. Funding for impact grants is being reduced by \$4 million in FY 2015 and \$3.9

million in FY 2016. This reduction will affect funds needed locally for public safety, fire services, infrastructure, and other community costs arising from their siting.

Override Spending Formulas

Section 13 of the BRFA is intended to reduce out-year expenditures by permanently capping formula increases in statutorily mandated programs to the level of general revenue growth minus 1 percent. In effect, this section could have some of the deepest and longest-lasting effects of any fiscal policy, as formulas and spending priorities would be dramatically abrogated over time. MACo would urge the Committee to reject this section of the BRFA, and to retain the year-by-year public hearings and evaluations of any cuts and changes needed to effect that year's budget plan.

MACo and county leaders are prepared to work with state policymakers on all these issues, 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.