

Howard County FY 2020 Operating and Capital Budget – The Facts on Key Issues

- HCPSS (Howard County Public School System) Budget
 - **A 23-cent Property Tax Increase Would Be Required to Fund the Superintendent's Requested FY 2020 Budget.**
 - The Superintendent's request for the HCPSS FY 2020 operating budget represented a \$122.8 million dollar increase over the prior fiscal year, marking the largest requested increase by a Superintendent in the history of the county and doubling the second highest request made over the past decade.
 - **The Currently Proposed HCPSS FY 2020 Operating Budget Provides a Historically Significant Funding Increase and Fully Supports Our Teachers.**
 - The proposed HCPSS FY 2020 operating budget is \$40.9 million (4.8% increase) above FY 2019 levels, or \$46.0 million (5.4% increase) if including Kirwan funding based on SB1030, both representing the largest year over year increase in over a decade.
 - Through its commitment to fund teacher salary growth at over 3%, Howard County was able to secure an additional \$4.4 million in state funding for teacher salary increases from the Kirwan Commission.
 - The FY 2020 HCPSS operating budget increase excludes \$11.1 million in agreed to one-time County funding for non-recurring expenditures granted in the FY 2019 budget. The \$11.1 million County funding in FY 2019 budget can ONLY be used for non-recurring expenditures per County Charter and State certification and can NOT be included in the base for calculation of maintenance of effort (MOE) calculation in next year budget per State certification.
 - County funding allocated to HCPSS increases by \$16.2 million (2.8%) in the FY 2020 general fund budget, surpassing maintenance of effort (MOE) levels by \$5.4 million and exceeding the 10-year average increases in county funding and over MOE levels.
 - Of the \$33 million total funding increase in the FY 2020 County general fund budget, nearly half of new funding (\$16.2 million) is dedicated to HCPSS. Of the total County budget, 58% is spent on HCPSS, including debt service payments for school capital projects and contribution to school retiree health benefits.

- **Teacher Layoffs Are Not Needed to Balance the Historically Strong Growth of the Proposed HCPSS FY 2020 Budget.**
 - Despite a historical operating budget increase (\$40.9 million/4.8% increase excluding state Kirwan grants or \$46.0 million/5.4% increase including Kirwan legislation funding) that far outpaces the overall FY 2020 county general fund budget growth of 1.8%, HCPSS is the ONLY general fund budgeted entity considering layoffs to balance its budget.
 - Considering the historic level of HCPSS' operating budget increase and the full funding of negotiated teacher salary increases, it is extraordinary for teacher layoffs to be considered to balance an otherwise friendly budget proposal.

- Ellicott City Flood Mitigation
 - Building on the \$17 million budget amendment to the FY 2019 capital budget approved by the County Council last October, the FY 2020 capital budget allocates an additional \$15.8 million in C0337 to support flood mitigation efforts in Ellicott City.
 - Nearly \$8 million in new State funding commitments have been secured for Ellicott City flood mitigation efforts since County Executive Ball took office. State funds secured include:
 - \$3.5 million in cost savings dedicated to Ellicott City through the purchase of land for the Waterloo Fire Station from the State for \$1.
 - \$3.4 million in funding through the State capital budget.
 - \$700,000 from the State Department of Housing and Community Development for stabilization, clean-up, and façade projects.
 - \$250,000 in the State supplemental budget for the installation of an emergency permanent alert system.
 - Additionally, the passage of the Comprehensive Flood Mitigation Grant Fund legislation allows the county to seek a portion of \$8 million in available funding over the next 3 years.

- Fire Tax and Ambulance Fee
 - County Executive Ball is proposing a 6-cent tax increase to the Fire and Rescue Tax and an ambulance fee, which has already been implemented in all other counties in Maryland, in the FY 2020 proposed operating budget.

- The Fire and Rescue Tax increase is critical to keep pace with the public safety demands associated with rapidly growing needs for emergency services in the county.
 - DFRS incidents have grown by an average of 1,000 each year since 2013, outpacing population growth by 11.5%.
- The Fire and Rescue Tax increase addresses a growing deficit in the Fire Fund that is projected to balloon in the next few fiscal years:
 - At the end of FY 2020, the Fire Fund structural deficit is projected to have a \$7 million deficit. By FY 2025, the structural deficit will reach \$158 million.
 - The above referenced projections don't account for capital funding needed to support the construction of two new fire stations, or additional staff needs based on recommendations of the staffing study task force.
- Aviation Unit
 - The discontinuation of the county's aviation unit is projected to provide \$1.8 million in savings over the next 4 fiscal years.
 - Funds saved on the aviation unit will contribute to support for critical new initiatives, including the school bus camera enforcement initiative.
 - HCPD has established a task force to explore use of drone technology, with an eye toward becoming the 7th law enforcement agency in Maryland to employ the use of drones.
 - While novel in Maryland, the number of public safety agencies with drones has increased by 82% in the past year. There are currently more than twice as many public safety agencies with drones as there are with manned aircrafts.
 - Additionally, partner agencies will continue to provide the county with 24 hour-a-day aviation coverage.

FACT SHEET ON HCPSS BUDGET

How much is HCPSS total budget growth in FY 20 and how does that compare to its historical growth?

The FY20 proposed HCPSS total operating budget growth is the **HIGHEST** in the past decade. FY 20 Proposed total HCPSS operating budget is \$897.3 million, including additional state funding based on Kirwan legislation or SB1030. State officials recently verified that Kirwan funding in FY 20 is expected to stay in the base for future years. This budget represents a strong increase of \$46 million or 5.4% from prior year, excluding one-time funding designated for non-recurring expenditures in FY 19¹.

HCPSS Operating Budget (\$ in Millions)				
	FY19 Budget	FY20 Proposed	\$ Change	% Change
County Funding Excluding One-Time, Non-Recurring Costs	589.0	605.2	16.2	2.8%
State Funding (including Kirwan funding in SB1030)	249.7	274.4	24.7	9.9%
School Funding	12.6	17.7	5.1	40.5%
Total Funding Excluding one-time	851.3	897.3	46.0	5.4%

Note: \$11.1M one-time County Funding in FY 2019 was excluded in the base for comparison because the \$11.1M can NOT be used on recurring cost or staying in the base for next year per County Charter and State Certification (dated August 13, 2018).

FY 20 Proposed total HCPSS operating budget growth is the **HIGHEST** over the last decade, and significantly higher than the 2nd highest growth of \$33.4 million (in FY 15) during the past 10 years.

HCPSS Total General Fund Budget (\$ in Millions) - Excluding \$11.1M FY19 One-Time County Funding for Non-Recurring Cost											
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY20 Proposed
HCPSS General Fund Budget	656.7	675.3	683.8	703.7	725.3	758.7	776.3	808.3	819.1	851.3	897.3
\$ Change from Prior Year	(0.4)	18.6	8.5	19.9	21.6	33.4	17.6	32.0	10.8	32.2	46.0
% Change from Prior Year	(0.1%)	2.8%	1.3%	2.9%	3.1%	4.6%	2.3%	4.1%	1.3%	3.9%	5.4%

* FY20 Proposed includes additional funding from Kirwan legislation (SB1030)

Is it common to see layoffs with a budget experiencing 5.4% annual growth?

No. It is extremely unusual for any government entity or any organization to implement layoffs, especially with a 5.4% growth of budget or the highest in a decade. Layoffs are rare and typically occur only during extreme stress such as economic recessions or unforeseen natural disasters. In most other government entities, layoffs and reduction of services are last options to use. Usually, organization leaders and staff are able to identify and implement other strategies of no/minor impact, including innovative savings options and process changes to live within means.

In FY 20 proposed budget most Howard County agencies experience less than 2% growth and Howard Community College (HCC) and Howard Public Library System (HPLS) both experience 2.5% growth. None of these agencies or entities announced layoffs as strategies to balance their budgets. Similarly, in FY15,

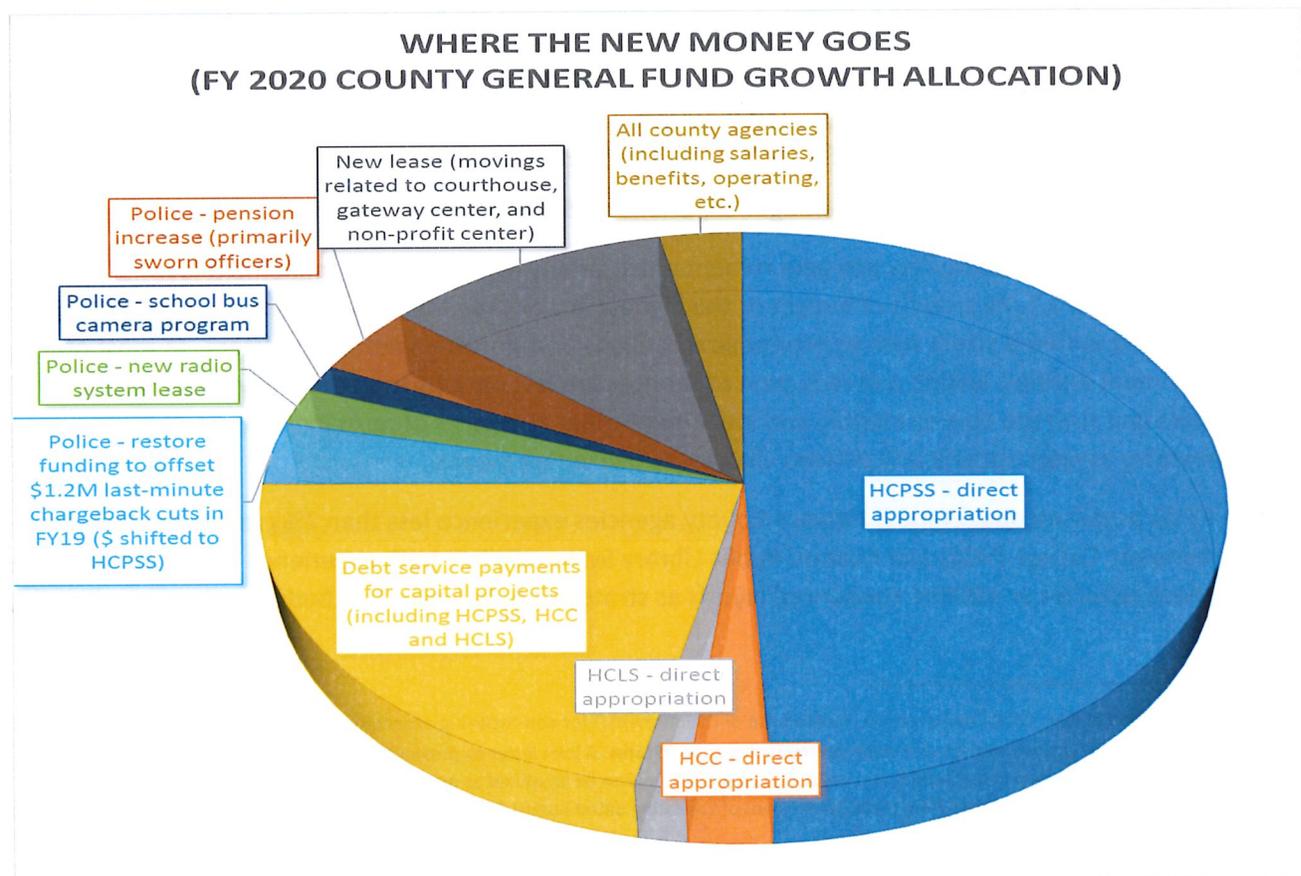
¹ * FY 19 HCPSS budget shown excluded \$11.1 million use of County PAYGO for non-recurring expenditures. According to County Charter, County PAYGO can only be used for **one-time non-recurring expenditures**. A joint letter by previous County Executive, County Council Chair, and School Superintendent dated June 8, 2018 requested the \$11.1 million be identified as **non-recurring** expenditure and **excluded from the base** for MOE calculation. A letter from State Department of Education dated August 13, 2018 certified \$11.1 million as non-recurring expenditures.

Howard County experienced a mid-year revenue shortfall of over \$15 million and managed to close the anticipated gap with no layoffs, no furloughs, no service reductions or tax increases.

How much is County total revenue growth in FY 20 and how is the new funding allocated?

FY 20 proposed County General Fund budget increases by \$33M. (For reference, actual County revenue total growth was \$19 million in FY 17 and \$14 million in FY 18 per annual Comprehensive Annual Financial Reports). New funding is primarily allocated to education entities, debt service payments for capital infrastructural projects, and non-controllable costs such as public safety radio leases.

Where the Money Goes - in Millions (FY 2020 County Funding Increase Excluding One-Time)	
HCPSS - direct appropriation	16.2
HCC - direct appropriation	0.9
HCLS - direct appropriation	0.5
Debt service payments for capital projects (including HCPSS, HCC and HCLS)	7.2
Police - restore funding to offset \$1.2M last-minute chargeback cuts in FY19 (\$ shifted to HCPSS)	1.2
Police - new radio system lease	0.7
Police - school bus camera program	0.5
Police - pension increase (primarily sworn officers)	1.3
New lease (movings related to courthouse, gateway center, and non-profit center)	3.5
All county agencies (including salaries, benefits, operating, etc.)	1.0
Total Increase	33.0



Can the County fully fund HCPSS FY 20 budget request?

No, if the County decides NOT to raise taxes significantly or NOT cutting all other services significantly.

Fully funding HCPSS budget request is equivalent of

- increasing County Real Property Tax by **23** cents (or **23%**) based on Superintendent budget request, or increasing Real Property Tax by **17** cents (or **17%**) based on BOE budget request; or
- eliminating the entire Police Department.

HCPSS superintendent requested County funding increase of \$123M in FY 20 is equivalent of **4 times** County General Fund total revenue growth for all services for the entire county. HCPSS BOE requested County funding increase of \$89M in FY20 is equivalent of **3 times** County General Fund total revenue growth for all services for the entire county. HCPSS budget request significantly exceeded affordability.

County resident's median household real property tax burden and overall tax burden is already among the highest in Maryland currently:

County	Real Property Tax Rate	Median Sales Price	Property Tax Burden	Income Tax Rate	Median Household Income	Income Tax Burden	Property and Income Tax Burden	Telephone Tax	Energy Tax	Total Tax Burden
Allgomery	0.9750	\$116,750	\$1,138	3.05%	\$41,559	\$1,268	\$2,406	\$0	\$0	\$2,406
Anne Arundel	0.9020	\$342,400	\$3,088	2.50%	\$91,918	\$2,298	\$5,386	\$100	\$0	\$5,486
Baltimore City	2.2500	\$215,000	\$4,838	3.20%	\$44,262	\$1,416	\$6,254	\$100	\$32	\$6,385
Baltimore County	1.1000	\$250,000	\$2,750	2.83%	\$68,989	\$1,952	\$4,702	\$100	\$0	\$4,802
Calvert	0.9370	\$320,000	\$2,998	3.00%	\$96,808	\$2,904	\$5,903	\$0	\$0	\$5,903
Caroline	0.9800	\$192,000	\$1,882	2.73%	\$50,830	\$1,388	\$3,269	\$0	\$0	\$3,269
Carroll	0.9800	\$320,000	\$3,136	3.20%	\$87,060	\$2,786	\$5,922	\$0	\$0	\$5,922
Cecil	1.0180	\$229,900	\$2,340	3.03%	\$67,938	\$2,059	\$4,399	\$0	\$0	\$4,399
Charles	1.1410	\$313,475	\$3,577	3.03%	\$91,373	\$2,769	\$6,345	\$0	\$0	\$6,345
Dorchester	1.0000	\$169,000	\$1,690	2.62%	\$47,907	\$1,255	\$2,945	\$0	\$0	\$2,945
Frederick	1.0600	\$319,900	\$3,391	2.96%	\$85,715	\$2,537	\$5,928	\$0	\$0	\$5,928
Garrett	0.9899	\$149,450	\$1,479	2.65%	\$46,277	\$1,226	\$2,706	\$0	\$0	\$2,706
Harford	1.0420	\$280,000	\$2,918	3.06%	\$81,052	\$2,480	\$5,398	\$0	\$0	\$5,398
Howard	1.1900	\$435,000	\$5,177	3.20%	\$113,800	\$3,642	\$8,818	\$0	\$0	\$8,818
Kent	1.0220	\$216,500	\$2,213	2.85%	\$55,028	\$1,568	\$3,781	\$0	\$0	\$3,781
Montgomery	0.9814	\$449,080	\$4,407	3.20%	\$100,352	\$3,211	\$7,619	\$85	\$133	\$7,837
Prince George's	1.0000	\$302,313	\$3,023	3.20%	\$75,925	\$2,430	\$5,453	\$110	\$119	\$5,682
Queen Anne's	0.8471	\$330,000	\$2,795	3.20%	\$85,891	\$2,749	\$5,544	\$0	\$0	\$5,544
St. Mary's	1.0000	\$130,000	\$1,300	3.20%	\$35,886	\$1,148	\$2,448	\$0	\$208	\$2,656
Somerset	0.8478	\$299,900	\$2,543	3.00%	\$86,810	\$2,604	\$5,147	\$0	\$0	\$5,147
Talbot	0.6100	\$300,000	\$1,830	2.40%	\$61,395	\$1,473	\$3,303	\$0	\$0	\$3,303
Washington	0.9480	\$215,000	\$2,038	2.80%	\$56,316	\$1,577	\$3,615	\$0	\$0	\$3,615
Wicomico	0.9400	\$169,200	\$1,590	3.20%	\$53,508	\$1,712	\$3,303	\$0	\$0	\$3,303
Worcester	0.8350	\$235,000	\$1,962	1.75%	\$57,227	\$1,001	\$2,964	\$0	\$0	\$2,964
State Average	1.0248	\$262,495	\$2,671	2.91%	\$70,159	\$2,061	\$4,732	\$0	\$0	\$4,773

Howard County is a full-service County. While education remains the County's No.1 priority, the County has to provide various services and balance different needs of the community while keeping the overall tax burden of its residents under control.

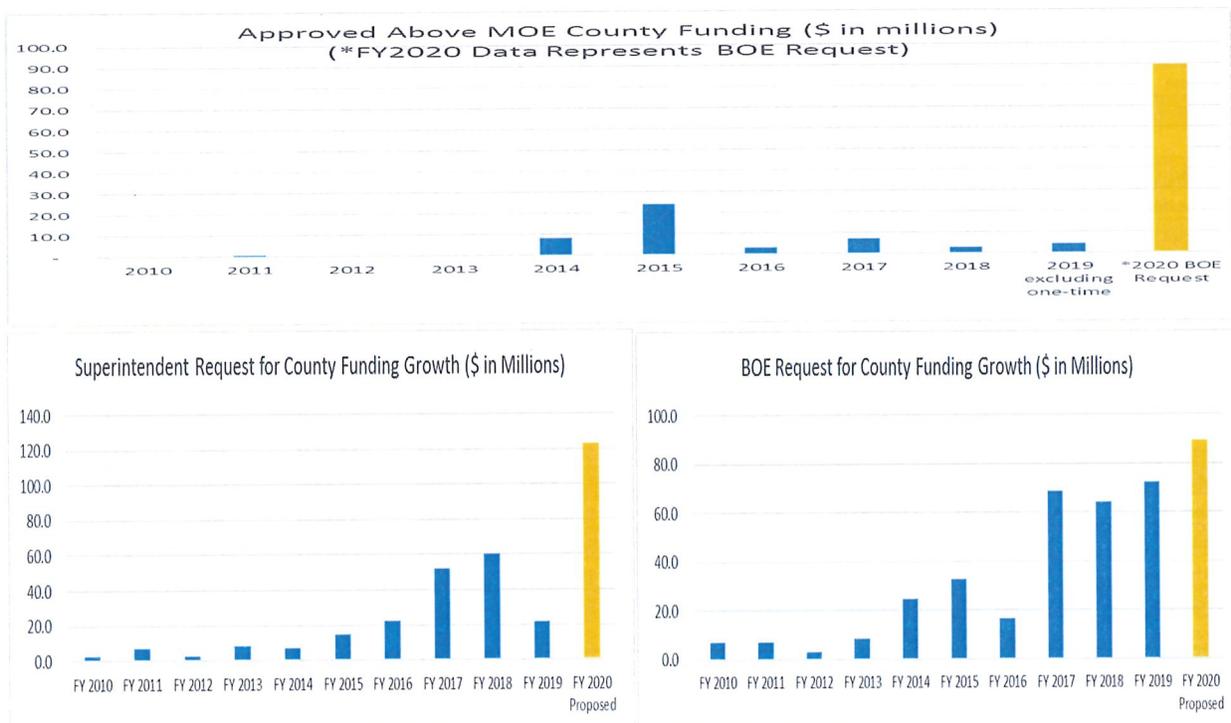
Who decides how HCPSS budget is spent on different items?

The HCPSS leadership makes decisions on how to prioritize resources within annual budget to support critical services and minimize impact on services or employees. This is not different from the practice of HCC leadership, HCLS leadership, County leadership and individual agency leadership, who all have to make decision on prioritization in their own organizations to live within means while supporting critical services and minimizing impact on services and employees. Each organization’s leadership take ownership of their own decisions and often need to make hard choices since resources available are almost always not sufficient to meet all service needs for any government entities.

County Executive and County Council decide on the level of County funding available for HCPSS and overall appropriation; the Governor and State General Assembly decide on the level of State funding available for HCPSS; and the HCPSS leadership decide on how to utilize available funding on different expenses/programs as an independent government entity. Usually County leadership matches categorical appropriation with HCPSS priorities, when such information is available.

Has the County leadership reduced FY 20 HCPSS budget from last year?

No. Compared to FY 19, County Executive Proposed FY20 HCPSS Budget represents a \$46 million growth (or 5.4% increase), the highest growth over a decade. However, both HCPSS superintendent’s request and BOE request set a historical record as shown the charts below with requested growth in one year exceeding the total actual growths in past 10 years. There is no way to meet the HCPSS request without significant tax increases or service cuts to tax payers. County Council has not adopted the budget yet.



All other government agencies or entities, including HCC and HCLS, present their budget in comparison to prior year budget. HCPSS is the only government entity in Howard County that presents its proposed budget as “reductions” from BOE requested amount based on a hypothetical scenario in an ideal world.