

Fiscal Briefing – January 23, 2012

Today the Senate Budget and Taxation Committee met jointly to receive a Fiscal Briefing by the Department of Legislative Services (DLS) staffs. Warren Deschenaux announced "the General Assembly would need to work hard to find new spending in the Budget Highlights," adding that it will be difficult to further reduce the budget. This budget takes \$400 million off toward the \$1.1 billion structural deficit. "There is a light at the end of the tunnel, but there does not seem to be a train at the end," said Deschenaux. In regard to education, the Governor has made some tough choices this year.

The budget is based on new taxes and fees. Warren understands the budget is contentious and if the General Assembly feels this is not palatable, then they will need to find other areas to consider.

In State Aid to Local Governments a comparison was made by per capita aid and annual growth for Fiscal 2012 and 2013. The report shows for Harford County the Fiscal 2012 appropriation of \$262,680,088 versus the Fiscal 2013 proposed shows a difference of \$10,748,536 (-4.1%). The per capita state aid shows Harford County as 16 out of 24 and for annual growth in State Aid Harford County is 23 out of 24.

- Public schools - funding increases by \$113.2 million and the Local Education Agencies are relieved from paying retirement payment for federally funded teachers - Total effect - \$150.3 million
- Local libraries - funding increases by \$0.9 million
- Community college - under current law funding would have increased by \$5.7 million, but contingent reductions in the Budget Reconciliation and Financing Act of 2012 (BRFA) reduce this figure by \$2.5 million - Total effect - \$3.2 million
- Local health departments - under current law funding would have increased by \$0.9 million, but language in BRFA flat funds health departments at the base funding level of \$37.3 million - Total effect - a reduction of \$1.0
- County/Municipal - under current law, funding would have increased by \$66.2 million, but language in the BRFA to reduce police aid, a Baltimore City Grant, horse racing impact grants, and shift teacher pension costs reduces funding by \$264.5 million; an increase in the disparity grant and revenue enhancements offset this reduction by \$187.3 million - Total effect \$8.6 million

The proposed state aid reductions and local revenue enhancements for FY 2013 showed contingent (BRFA) reductions to State Aid of \$268.9 m with \$239.3 m in the retirement payment cost shift. On the enhancements \$37.1 m are the LEA retirement payments for federally funded positions. Warren Deschenaux advised the budget committees that it is important that school boards are not getting the pension shift, but going to local governments." Senator King voiced her concerns that local governments may not adequately fund education.

An overview was provided by DLS staff of significant general fund revenue assumptions in Governor's Fiscal 2013 budget regarding taxes and fees.

The Capital Budget for FY 2013 highlights

- Increased funding for public school construction and green schools initiative. The budget provides \$351.4 million for public school construction supplemented with an additional \$15.3 million in QZAB funds and \$6.1 million of funding for the Aging Schools Program. Budget language restricts \$50.0 million of public school construction funds to be used to fund energy efficiency improvement projects.
- Flush Tax Increase to fund Enhanced Nutrient Removal at wastewater treatment plants and increased funding for septic systems upgrades.

The full text of the Fiscal Briefing can be located online at:

http://mlis.state.md.us/2012RS/budget_docs/All/Operating/Fiscal_Briefing.pdf