



**Office of the County Executive
Stuart Pittman**

Fiscal Year 2020 Budget Address
(prepared remarks)
May 1, 2019

Thank you. Thank you for being here today.

Thank you Chairman Pruski, Vice Chair Pickard and to my friends on the County Council - all seven of you. I appreciate your advocacy for funding in your districts, and look forward to working with you to improve the budget that I present today.

Thank you in advance to our county auditor and her staff. Please find efficiencies, savings, and mistakes if they exist in this budget. We all work for the same boss, the people of Anne Arundel County. Let's get this right.

Thank you to county department heads and their staff who are here today with fingers crossed, hoping that the funding you requested shows up in the budget. Throughout this process, I have appreciated your dedication and passion.

Thank you to the Budget Office, led by acting budget officer Jessica Leys. These people are my heroes. Their work ethic, smarts, and institutional knowledge make them the taxpayers' best friends.

I also want to thank a special guest, my wife Erin. She is here to make sure that this budget reflects the values that she and I share.

Finally, I want to thank the 1100 county residents who showed up to one or more of our seven Budget Town Halls. Your advocacy weighed heavily in the final decisions that we made in this budget, and I have no doubt that it will also impact the work of your county council as they deliberate.

I loved those town halls, and if y'all on the council are up for it we'll do them again next year. Thumbs up?

Over the last year and a half, I have done a lot of listening.

I've heard over and over again from people in every part of this county that we have not managed our growth. Traffic, overcrowded schools, and polluted water are on people's minds.

I've been told by political experts that our county taxpayers don't want to invest in services, and that the only way to create local government revenue is to promote new development.

Development was an easy thing to make happen. Regional development interests have been attracted to our land for decades. That in itself is not a bad thing.

But when you build new houses and attract new businesses, somebody has to pay for the roads, the police, the firefighters, the teachers, the schools, and all of the public services.

That funding can come from the tax base or it can come from fees paid by the developers. Unfortunately, it came from neither.

As we grew from a rural to a suburban county, our elected officials lacked the courage to budget for the future.

We turned our backs as school class sizes grew to unacceptable levels, teacher morale declined, and our school construction backlog reached two billion dollars.

We turned our backs as call volume for fire and EMS grew 7% annually.

We turned our backs as police officers were forced to work twelve hour shifts.

We turned our backs as acres of trees were cut down and sediment from uninspected construction sites flowed into our creeks and rivers.

We turned our backs as our school construction backlog grew to \$2.1 billion and our traffic ground to a standstill.

The last administration found a short-term fix. They extended bond payment terms from twenty to thirty years and exceeded the affordability guidelines in the capital budget last year by a staggering \$72 million. All while cutting the taxes that we use to repay the debt.

The budget that I present to you today has no such gimmicks. It is fiscally responsible, and it confronts the challenges we face as a county.

I want to talk more about the challenges.

My first meeting with the budget team was an eye-opener. They showed us projected revenues, including some \$53 million in growth.

Then they showed us how much of that money is already obligated to things we can't cut from the budget. Things like debt service and obligations to our employees and our retirees.

Those obligations added up to about \$45 million, leaving only \$8 million to address the unmet needs of our county.

A few weeks later the budget office showed me what we collected in the last ten years on development impact fees. They compared it to what we were told was the true impact of development.

The County Council in 2008, possibly influenced by the campaign contributions from the developers who pay those fees, set rates so low that we have since lost out on \$127 million.

Wow.

And then came School Superintendent Dr. George Arlotto's budget presentation to the school board. He described the same needs I had been hearing from teachers, parents, and students, and he had a plan to address them. That plan cost \$73 million over last year.

That's when I went to the budget office and started the conversation about revenues.

Here is what I learned.

The state of Maryland ranks Anne Arundel County 23rd of 24 counties for tax effort. Only Talbot County taxes at lower rates than us.

Our property tax rate now is 90.2 cents per \$100 of value. It was more than \$1 before our property tax revenue cap took effect in 1992.

Today there are only four Maryland counties with rates lower than ours, all of them rural counties where development has not pushed up the demand for services.

Our revenue cap allows us to benefit from the growth of our tax base only as much as the rate of inflation or 4.5%, whichever is lower. The more our tax base grows the farther down it pushes the rate.

The exception is new development. The fact that revenue from new development is not limited by the cap has served as a driver of our county's addiction to development.

The Maryland General Assembly passed legislation in 2012 to prevent local revenue caps from forcing limits on education funding. We can set a property tax rate higher than our revenue cap limit if the purpose is to fund the school board's budget request.

The idea of going through the revenue cap made me uncomfortable. I was uncomfortable until I saw a chart showing the four times that politicians lowered the ceiling for future years by setting rates lower than the cap.

I don't believe that the drafters of our revenue cap intended to give politically motivated politicians the power to force taxes down after they depart from office, but they did.

Those four political decisions cost the county \$470 million combined. Without them, our property tax rate today would be 93.5 cents.

We can fix this. I am proposing a correction to our revenue cap of exactly that amount. We will generate \$26.6 million toward the budget request by resetting our property tax rate at 93.5 cents.

For those who worry about losing our low-tax status, fear not. We will retain our ranking of 5th lowest in the state, far below the \$1 or more paid by residents of all of the other "big eight" counties.

If you've been following the numbers, you may note that \$26 million doesn't pay for the school board budget request, and it certainly doesn't help us with our public safety or infrastructure needs.

So we turn to the income tax. A number of people noted in our town halls that the income tax is less burdensome than property tax for senior homeowners on fixed incomes.

Since the most recent federal tax cuts primarily benefited the wealthiest Americans, protecting lower income residents from the tax burden is paramount in my mind.

This budget proposes an income tax adjustment from 2.5 to 2.81%. That increase will generate \$28.6 million in FY20, plus additional revenue in 21 and 22 due to the way income taxes are paid and passed through from the state.

That payment schedule matches our multi-year plans to fund infrastructure and public safety staffing.

And again, for those of you who worry about the competition, we retain our low-tax status. Next year we may be the only one of the big eight counties that does not tax income at the maximum allowable rate of 3.2%.

Our county charter directs us to set tax rates based on an assessment of the county's needs. I want to share with you some of the needs that will be met if this budget is approved.

If I leave your department out, it's no for lack of love. It's lack of time. (show budget) This is one fat document and you don't want me to read it.

Let's start with education.

Schools are the institutions in our communities that drive our property values, bring good businesses to our county, and offer young people, regardless of background a chance at a good life.

Our student population has grown 13% in the last ten years. During the same time, our teacher population has increased at a rate that is half of that. Every year we fall farther behind. That's unacceptable.

This budget funds 136 new classroom teachers next year, 26 to keep up with projected enrollment and the rest to actually reduce class sizes. Parents, students, and teachers will notice the difference.

We also fund 27 new positions to address the mental health needs of our students, including 14 school counselors, 6 psychologists, 6 social workers, and one pupil personnel worker. And we add 47 new special education positions.

These personnel are just the start on our student mental health efforts. They say it takes a village to raise a child, and it's time to work on our village.

I will be personally engaged in that process and you'll be hearing a lot more on this from our administration in the coming months.

You've heard a lot about teacher pay in this county, and I'm glad you have. We have great teachers and they are underpaid.

I had the honor of sitting at a table of elementary school teachers from Mayo and Lothian last week for the Teacher of the Year banquet. As we watched the videos of students explaining why their teacher deserves the big award, all of them were mesmerized.

You'd think that teachers wouldn't be that into videos of kids in classrooms on a weekday night out with their peers. But they were. Every single one of them. They giggled. They clapped. And they said "Awwwww" a lot. Some even cried.

Our teachers care, and when they say they need to be paid more, it's not because they're greedy. It's because they want to keep doing what they're doing. They don't want to leave for a better paying job in another county. They want to keep teaching our kids, and as a parent I can say we want them to stay.

This budget delivers, not only for our teachers, but all of our school support staff. We are fully funding Dr. Arlotto's proposed pay package, as well as the enhancement unanimously approved by the school board, which adds two much needed "catch up" step increases for teachers employed here in 2010 and 2011.

Overall, this budget funds over 90% of the school board's request for new funding.

This is where I must thank our county delegation to the General Assembly for their hard work on the Blueprint for Education. That legislation added \$13.5 million in support for our schools in FY20, helping us pay for what I have just announced.

In particular, I want to thank Speaker Mike Busch. He included language in the Blueprint at our request guaranteeing that whatever investment we make in our schools this year will count toward any future years' match required in Kirwan funding formulas.

There's one more thing I need to say about education, and then I promise I'll get to the rest of county government!

We need to keep the politics out of school construction. That's why we paid MGT to do a ten-year master plan. It's a good plan and I intend to stick to it.

The only flaw in the MGT plan is that it doesn't tell us where the money will come from. We have to figure that out.

Our biggest challenge is described in two words: Old Mill.

It's not just a District 2 issue, because the complex serves students from all over the county, and the plan will alleviate crowding everywhere.

But it's expensive. It involves building two middle schools, two high schools, and a new CAT North.

I questioned the plan. I thought there must be another way. But I've taken the tour, looked at the study, and asked the tough questions. It's time to stop talking and start building.

The problem is that once we start, we have to finish, and once we start no money will be available for anything else in our capital budget if we are to stay within our spending affordability limits.

We have a solution.

It's hardly a new idea. It's sitting right there in our county charter and our budget office has talked about it for years. Councilman Jamie Benoit proposed it a few years back and the only vote he got was Chris Trumbauer!

It's called the Reserve Fund for Permanent Public Improvements, a mechanism to fund large capital projects that would otherwise not fit into the Capital Improvement Plan.

Money in the fund is used to sell bonds to finance new projects, but of course we need a revenue source to make payments.

Remember that increase in our income tax rate from 2.5% to 2.81%? Of course you remember! How could we forget.

Well, a third of that - an income tax assessment of one tenth of one percent - will be dedicated to the fund. We'll call it the PPI.

That won't show up in the FY20 budget, but starting in FY21 we'll generate a capital infusion of \$250 million for school construction, public safety, and transportation.

We believe that this is the only fiscally responsible way to confront our backlog of infrastructure needs.

Pulling this off also requires some sacrifice on the spending side.

The FY20 Capital budget is \$333 million - that's down from \$378 million last year. We cut \$45 million dollars because we had to. Last year the county overspent affordability in the capital budget by a record \$73 million, so this year we must spend less. We are passing on the \$33 million rubble landfill under contract for purchase by my predecessor, and we are postponing some projects that we'd like to get started with.

So let's talk about the current operating budget. We have a lot of department heads here, and they're looking for answers!

Anne Arundel Community College has 40,000 students enrolled in classes, and they're enrolled because they are preparing themselves for the jobs that our local businesses need filled. This institution is an outstanding investment for our county.

We are continuing our capital commitment to construction of the Health and Sciences Building, and have added \$3 million of funding to support pay increases to AACC staff. Community college professors are the backbone of the institution, but they are underpaid. We must step up to support them.

People go to libraries these days to look for jobs, to navigate government services, to get homework done after school, and sometimes just to explore.

We found that our temporary library branch at the Annapolis Mall served a county-wide population that had not been reached before, in very large numbers.

That's why we have added \$544,000 to the budget to make Discoveries at the Mall a permanent branch within our library system.

We also included a significant increase in the library's budget to acquire new in-demand books and other materials.

I often say that the most sacred obligation of government is the safety of its people. I learned that from my Dad.

Getting to know our police officers, firefighters and detention officers has been one of the greatest rewards of this job. They serve IN our communities. They go where the trouble is happening. They don't hesitate to put their own lives at risk to protect us.

We have 765 positions for sworn police officers, but 29 of those are not filled. That's 88 cops below the level recommended by the International Association of Chiefs of Police when it reviewed our department in 2017.

We will fill those 29 vacancies and add another 10 sworn officers. Thirty-nine new cops this year is step one in Chief Altomare's 4-year plan to get where we need to be.

Another major investment that we just can't put off is replacement of our 15-year old helicopter. I have to admit, I researched drones as an alternative, and I even thought about offering my famous rolls of duct tape, but after reading the report on lives saved and criminals arrested, I couldn't imagine confronting the next disaster without the chopper.

The voters chose the right person for the job when they elected Sheriff Jim Fredericks. He's hustling to meet the growing needs for security at the courthouse while addressing the backlog of warrants, and he needs help. We've proposed one new deputy Sheriff.

We also have an outstanding new fire chief in Tricia Wolford. Our fire department has seen call volume grow by more than 7% in each of the last five years, but staffing has been stagnant.

Chief Wolford has proposed a multi-year recruitment plan that starts with 35 new firefighters this year. We are working on ways to expedite the hiring process and also to increase diversity in the hires.

Our firefighters are some of the best people I know, and I have a feeling that within a couple of years, good men and women will be flocking to our county wanting to serve with them. Our people are that good.

Superintendent of Detention Facilities Bill Martin and his staff are gearing up for major spring recruitment. That's because they must reduce a high rate of vacancies, but also because we've proposed 13 new positions to staff the central booking facility that is due to open at the end of this year.

Thanks to the new contract with our detention officers union and the new minimum salary bill just passed unanimously by our county council, we should be able to attract the officers we need on the timeline that we need them.

Before moving on from detention, I want to say something about re-entry.

Derek Matthews is our Special Assistant to the CAO, and his first project in that role is a full assessment of all re-entry programs in the county. He will have recommendations to fill gaps and coordinate efforts so that our rates of recidivism decline and our inmates have every possible opportunity to become productive citizens. That report will be completed in the coming months.

During the campaign I promised community-driven planning and enforcement of our environmental protection laws. We are well on our way to delivering, but to do so effectively requires that we restore some staffing to departments that fell out of favor in recent years.

We all know about the failing sediment control at construction sites, and failing stormwater management systems. Some of that can be attributed to the fact that our inspectors are responsible for monitoring far more sites than any other county in Maryland, with fewer inspectors to do it. In fact our inspectors have triple the erosion and sediment control workload of the next busiest county.

We brought Greg Africa in to lead Inspections and Permits with a greener and more transparent approach. His first major decision was to request five new inspectors to help his department meet the demand, four of whom will be environmental inspectors. We must deliver.

I am convinced that with the guidance of Mr. Africa, our new Environmental Policy Director Matthew Johnston, and input from our new Citizens Environmental Commission, these inspectors will be put to good use and that there will be a visible impact on water quality.

Work is underway on our General Development Plan. Our future depends on us getting this right, and our communities are rightfully demanding small area planning and community engagement.

When County Executive Janet Owens was doing sixteen small area plans in the early 2000's, there were 20 planners. Today we have four. Clearly we have a problem.

That's why this budget includes six new planners and a deputy director for the Office of Planning and Zoning.

I get pretty worked up talking about land use. Same with education, public safety, fiscal responsibility, and a lot of other topics.

But I'll tell you who I really do this job for. I do it for the people in this report. Poverty Amidst Plenty.

It's not just about the six percent of our residents below the poverty line. It's also about the people whose paychecks run out before the end of the month because they are paying MORE for rent, more for childcare, more for prescription drugs, and more for food than they can afford.

One of our greatest failings in the last decade has been an unwillingness, despite warnings from the chamber of commerce and many business owners, to encourage and create housing that is affordable for our workforce, our young adults, and our seniors.

When Housing and Community Development Services proposed expanding its tenant-based rental assistance fund, I gave them what they asked for. It's only \$300,000, but it's a start. I am also proposing an additional \$1 million for the rental housing production fund.

For the Department of Social Services, we have included four new contractual positions: a behavioral health specialist at Sarah's House, a planning and grant writing professional, a social worker, and a family investment case worker.

If you read *Poverty Amidst Plenty*, and I encourage you to do so, you'll understand exactly why these positions are needed.

We're proposing funding in the Department of Aging to do a full assessment of county buildings to ensure that all of our facilities eventually become accessible to people with disabilities.

One of the disappointments of my five first months in office has been my own failure to hire a permanent health officer. That search is underway, but under the able leadership of acting health officer Billie Penley and her staff, outstanding work is being done at our Department of Health.

This budget will add to our Behavioral Health Bureau a bilingual therapist and a youth and adolescent therapist to meet increased demand for services. It also includes \$100,000 toward costs associated with Safe Stations and a part-time Fatal Overdose Review Team Coordinator.

My wife will gladly tell you how increasing spending, on anything, is very much out of character for me.

So now I want to talk about management and efficiency.

This is where our CAO Ben Birge should be stepping up to the podium, but I won't let him. We'd be here all day.

Ben promised to build us a county stat program, a system that evaluates programs based on agreed-upon metrics, and performance is visible not only to those of us in government but also to the public. He built and managed a similar system in Prince George's County and he's a recognized expert in the field.

The problem is that Ben is also our CAO. He needs to hire two analysts to get this done right. Those positions are in this budget, and I believe they will give us the information we need to decide which programs are worthy of public support and which ones are not.

We have also requested two assistant CAO positions to coordinate policy initiatives with multiple agencies in the areas of land use and human services. Both of these positions have existed in previous administrations.

I want to close by saying something about how I expect this budget to be received.

Some will say it's not ambitious enough, and we should do more. Our department directors requested some \$50 million in supplemental requests, not including education, and we funded just under half of that. We also left a lot of capital budget requests unfunded this year.

Others will say it's too much, that raising taxes is always wrong because government is too big and should be shrunk. I respect that philosophy, but it's not mine.

I believe that when communities confront problems they should use every tool in the box, whether it's one offered by the marketplace, the nonprofit sector, or government.

I also believe very strongly that when government spends money, it should be honest with its taxpayers. We should pay our bills, just like we do at home.

I can assure you that the bond rating agencies think that way. I explained our fiscal challenges to them and assured them that I was willing to do whatever it takes on the revenue side to meet our obligations. That's exactly what they like to hear, and we were recently informed that our ratings will remain at a very respectable AAA and AA+.

I won't venture to predict how my friends on the council will receive this budget, but I hope you agree with me that it strikes the right balance.

It's in your hands now. If you oppose the increased revenue, offer some cuts. If you can find some savings, take it. If you want something added, fight for it. If we made a mistake, fix it.

I wish you well over the next 45 days. Coming together as a group won't be easy. Four of you are from one party, three are from another, and a bunch of you are lawyers. Good luck.

Before I close I just want to say something to the people who may not be in this room, but have taken the time to watch the video.

Don't give up. Whatever it is you want from this government, or don't want for that matter - organize. Bring like-minded people together and build some strength. Take it to the county council or take it to me.

I think I can speak for all the elected officials in the room, as well as the appointed staff, in saying that this is your government, your tax dollars, and your budget. Fight for it.

Lastly I just want to say what an honor it is to be serving the people of this county and everyone in this room.

Together I am sure that we will achieve our common goal of making Anne Arundel County *The Best Place*.