



**Office of the County Executive
Steuart Pittman**

*Fiscal Year 2024 Budget Address
May 1, 2023*

Thank you. It is so good to be with the seven esteemed members of the Anne Arundel County Council, each as eager as I to deliver public investments and a brighter future to the people of our county.

It is also good to be among so many heroic public servants and community leaders, each one of whom is here in support of a service, a program, or an institution that helps to make our county The Best Place - For All.

I am here today to deliver to the Council a 428-page Operating Budget Proposal, and a 653-page Capital Budget Proposal that was constructed by our brilliant team of Budgeteers under the fearless leadership of Chris Trumbauer - with guidance by county residents, department heads, my leadership team and your county executive.

I will not review each item in this budget today, but encourage all taxpayers to review the details at aacounty.org/proposedbudget.

Now you'll notice that we've put three words prominently at the top of all FY24 budget materials: "Funding Our Future." We did this to remind all of us that, as stewards of county government today, our obligation is also to the future.

That is why we must be both conservative and progressive. We must make conservative assumptions about future revenues and set ourselves up for future economic challenges, while also investing in progress... so that our children, our families, our environment, and our institutions will thrive for many years to come.

At each of our Budget Town Halls we described the pressures we face in this budget: an \$88 million market-driven drop in real estate transfer tax revenue, widespread and severe inflation, long-delayed infrastructure needs to accommodate population growth, the ending of pandemic recovery funds ... and the most urgent of them all, a requirement that we grow the wages of our public servants, particularly in our schools, so that we can fill positions and provide services.

We also showed residents the rates on our largest revenue streams, proudly demonstrating that both our property and income tax rates are far lower than any of the counties around us. We argued then, and will drive home today, that fiscal discipline means having a funding source for whatever you plan to spend.

We built this budget as the county charter requires, by identifying necessary spending and then setting tax rates to pay for it. Today I will work backwards, first revenue and then investments.

Nearby counties tax all income at the state cap of 3.2%. We don't. Last year we dropped our rate for the first \$50k of everyone's income to 2.7%, and left everything above that level at 2.8.

This budget makes no change to income tax rates for 98% of our taxpayers. Let me repeat that. This budget makes no change to income tax rates for 98% of our taxpayers.

The top-earning two percent, however, will pay a graduated rate of 3.2%, meaning only on income above \$480k for joint filers and \$400 for individual filers. The effective rate for those top earners will average close to 3%.

For the FY24 budget this will generate \$6 million in recurring revenue, with another \$6 million the following year, all of which will be absorbed by increased investments in public safety.

On the property tax side, our rates since 1992 have been regulated by a voter-imposed cap, with a recent exception for education funding. That's why our rates dropped from over \$1 per \$100 of value, as it is in all of our neighboring counties, to the 93.3 cents that we pay today.

High inflation drove that cap up 3 cents last year and 2 cents this year, suggesting that our FY24 budget should tax property at 98.3 cents.

I am proud to announce that this budget will deliver the increased funding that we need to create opportunity for our children and families, and do it with a property tax rate that is 98 cents per \$100.

This 4.7 cent increase generates about \$68 million in annual recurring revenue, which is 77% of what we're losing this year in real estate transfer revenue.

Let's talk now about what these dollars mean for our future - for our children, our families, our beloved local institutions, and our environment. Let's talk about our moment in history and how we can take what we learned from a global pandemic and build a future that is more sustainable and more just. One that leaves no one behind.

I will start with the education of our children.

Superintendent Bedell, our Board of Education, teachers, parents and students sent us a clear message about what it will take to fill our vacant positions at Anne Arundel County Public Schools. They said we need compensation that is competitive with neighboring school systems, and I agree. Our teachers deserve a raise.

That's why every dime of the Board of Education's requested compensation package is in this budget.

It's a \$76.4 million increase over this year, with an 8% pay increase for all units. We hope to see it distributed as an 8% COLA to all employees so that veteran staff are also rewarded, but it could also be negotiated as a traditional 6% COLA and 2% step.

The package also funds a 10% COLA for contract bus drivers, a bonus to attract and retain special ed teachers, and a raise for substitutes.

But we won't stop there. This budget also proposes funding 208 essential new positions, including pre-k staff, English language staff, social/emotional health positions, alternative transportation program drivers, and the staff who will prepare for the fall '24 opening of Old Mill High School and West County Elementary.

After a recent briefing from our workforce development team, I am particularly pleased to be investing the Blueprint-mandated \$5 million in career counseling for students up to tenth grade. For many kids whose hearts and minds are elsewhere, this program offers a future - a reason to be in school.

Our total proposed funding increase to the AACPS operating budget this year is a much needed \$45 million. A historic commitment from Governor Moore and the Maryland General Assembly grows that increase to a record-setting \$119 million.

On the capital side, our \$190 million program, combined with the essential redistricting that our Board of Education has undertaken, will ensure that every child in our county enjoys an atmosphere that we know is conducive to learning.

But education alone does not end the poverty or the trauma that holds back too many talented young people. Food, housing, and health are also essential investments in our future.

We created life-saving new programs and services in response to the pandemic-driven food lines, evictions, and county warm line calls, and in this budget we must decide whether those efforts continue.

Last month I attended a thank-you dinner hosted by organizers of the Hispanic Health Festival at Caliente Grill. I sat next to the owner, Roxana Rodriguez, and heard her pandemic story.

When the Governor's stay-at-home order was announced, she brought her staff together, including her brand new cook, and tearfully announced that they were closing.

Soon after, she got a call from Monica Alvaredo of Bread and Butter Kitchen asking if she could produce 100 meals for distribution at Kingdom Celebration Church - the next day. Her staff rallied. They cooked until 3 am, and showed up in the rain the next day with the meals.

Roxana was shocked to see hundreds of cars lined up for food. She said that everything changed for her in that moment. Food is hope, she discovered, and by giving she saved her business.

We all should take great pride in the food distribution system that we created during that time, but the need was there before COVID, and today it is greater.

That's why I will very soon sign an executive order creating a new Anne Arundel County Food Council, and it's why this budget adds a new position at the Partnership for Children, Youth, and Families to coordinate food programs, and most importantly, \$1 million more for the Anne Arundel County Food Bank at Crownsville.

For anyone who doubted the impact of our county's housing affordability crisis on the average county resident, the Community College poll results on the front page of Saturday's Capital Gazette had to change their mind. Our people are feeling the pinch.

Homeownership is out of reach for even our middle-income earners and many of our renters are paying well over half of what they make on housing. This housing crisis has become our county's primary portal to poverty.

Federal CARES and ARPA funding allowed us to pay millions in rent to prevent evictions, shelter vulnerable people at hotels, and create an Affordable Housing Trust Fund to salvage projects in the pipeline that were threatened by rising interest rates and materials costs. Our people and our small businesses are demanding that this work to continue, and it must.

That's why I am proposing in this budget a recurring, dedicated funding stream for the Anne Arundel County Affordable Housing Trust Fund.

Upon the sale of properties valued at one million dollars or more, the 1% transfer tax will become 1.5%, the same level paid on all transfers in other jurisdictions. That should generate \$7.5 million the first year and \$10 million when the normal pace of sales returns.

Every dollar generated will go right back into the real estate industry as eviction prevention, affordable new construction, and assistance to buyers. The program will be managed by Arundel Community Development Services.

Let's jump over to what every one of us cares about most: the health and mental health of ourselves and the people around us. Like food and housing, we delivered during the pandemic with federal support, and once again our values demand that we continue what worked.

This proposed budget continues funding the Health Ambassadors, Healthy Anne Arundel, and the Health Equity and Racial Justice programs. It also allocates Opioid Restitution funding for our Opioid Intervention Team and new community-based prevention grants.

Anne Arundel County's world-renowned Crisis Response System is in more demand by our residents than ever, and growing its staffing levels during COVID was the right thing to do. We funded that with federal ARPA dollars, and we must continue providing those services. This budget does that with a \$1.6 million new investment, while also improving

compensation for those mental health clinicians in a very competitive hiring environment.

Transportation is the great connector. While we continue to work with the state on our worst traffic bottlenecks, and build out our trail system as a healthy alternative to driving, we must continue to grow and improve our transit system.

This budget funds additional bus service, automated passenger counters, and on-board LED smart signs, but the big news is that we are proposing a dedicated revenue source to help fund future transit investments.

We are asking you to follow the lead of Annapolis and nearby counties by collecting a 25 cent fee for each trip on Uber, Lyft and other rideshares, and to invest every dollar raised in improving our transit system. With BWI in our county, the revenues will add up.

Now we turn to our four-legged, non-voting residents whose advocates shine a light each year on the needs at Animal Care and Control.

They must fill vacant positions, and we hope our compensation package will help, but we also are funding two new positions to make life better for the animals.

Please adopt your next pet from our county shelter.

Cleanup of Crownsville Hospital Center is underway, but the transformation must be community-driven. That process starts June 27th, with our Future of Crownsville Town Hall at Rolling Knolls Elementary School.

The work to grow nonprofits there begins, of course, at 41 Community Place, where rehabilitation will begin soon and for which we have funded in the budget a director position to start making that magic happen.

We've all been talking a lot lately about making it easier to do business, and how we can grow a future that is greener, more equitable, and smarter. This budget delivers on all of that with the following:

Three new public works positions to expedite capital projects, two contract planners to speed up our Region Plans, a new position to manage public information requests, new funds for Inspections and Permits to hire engineering support, and a small boat to enable shoreline inspections.

We also propose to replenish our advanced land acquisition fund, add \$1 million to our reforestation efforts, add new funds to convert septic to sewer in priority areas, and improve trash collection.

Finally, we are proposing that Public Works receive an additional \$1.5m for equipment purchase, including a robot - a small robot - a robot that works exclusively in sewer lines. We discussed with public works the possibility of naming this robot, maybe after a highly respected county employee, but consensus was not reached, so a Council Resolution may be in order here.

Our Resilience Authority is busy at work prioritizing the projects that will protect us from severe storms and sea level rise, but we know there will be a need to match state and federal grants that are in the works.

Our proposal to meet this need and also provide additional support to the arts and tourism lies in our hotel, or visitors tax. By bumping that rate from 7% to 8% we believe we can generate the needed funds while staying below the 9.5% paid at competing hotels in Baltimore City and County.

The department of fun, Rec and Parks. We have a record-setting 90 million dollar capital improvements budget and park use is at an all-time high.

That means we need more staff to maintain our facilities. We are delivering five new positions to do just that, but I want to also give a shout out to all Rec and Parks staff and the huge army of volunteers that delivers the magic of our park system to our residents every day of the year.

There's no way to really appreciate the scope of our Rec and Parks expansion without skimming through a list, so here is a sampling: South Shore trail between Odenton and Annapolis, Ft. Smallwood Park, Millersville Park, Deale Park, North Arundel Swim Center and turf field, Eisenhower clubhouse, Brooklyn Park Center, Odenton Park, adaptive facilities at Lake Waterford, and yes there will be funding to design with community input expansion of Severn Danza Park onto the thirty adjacent acres that we purchased last year.

All of these projects will continue making our county greener and healthier for our future.

Two years ago we created a new position called Director of Equity, Diversity, and Inclusion. The professionalization of that work helped to unite us when circumstances might well have divided us.

As we prepare ourselves for the challenges of school redistricting, housing diversification, and equity across our government, we believe that a reorganization and one new position are called for to staff out what will become the new Office of Equity and Human Rights.

We have also concluded that two groups of our residents with very specific challenges would benefit from having a staff position dedicated to their needs; veterans and immigrants. That's why we are staffing our Veterans Service Center with its first full time position at the Department of Aging and Disabilities, and building out our Office of Hispanic/Latino and Multicultural Support with a permanent director.

Nearly half of our operating budget goes to schools, but another 20% goes to public safety. That's appropriate because in my view public safety is the most fundamental obligation of government.

Funding our Future requires that we continue the progress we started four years ago at police, fire, sheriff, and detention, and compensation is a big part of the formula.

We must remain in the top tier of counties to hire and retain the best, so we recently signed contracts with all public safety bargaining units that keep us there, with a 5% COLA plus 3% merit or step.

But recruits are also looking for agencies with high morale, modern infrastructure, and adequate staffing levels.

We currently have 766 sworn police officer positions, 22 of which are vacant. We believe we can fill those vacancies this year plus another 12 new positions. So that's what this budget funds.

Our police capital budget still includes the forensics building, the special ops building, and the firing range, but this year we've added \$1.8 million to create a Real Time Fusion Center. This will connect information sources to save lives and solve crimes as they are happening.

Not all crime prevention is done by the police. This budget also funds a Department of Health-led pilot called Cure Violence, to employ Annapolis residents to practice proven violence interruption strategies in their own communities. If it's effective in Annapolis, we will take it to other neighborhoods.

This budget also creates a Re-entry Hub at Ordnance Road Correctional Facility with a coordinator position and a reconfiguration of space. That and the Community Action Agency's Turnaround Thursday movement will ensure that more returning citizens find stable employment after doing their time, rather than finding themselves back in the system.

Anne Arundel County Firefighters showed up at Budget Town Halls with a consistent message: accelerate recruitment. Call volume has grown far faster than staffing over the last two decades, and we must continue the growth we began four years ago. This budget creates eighteen new firefighter positions that we must staff while also filling our existing vacancies, and we will.

We are also proposing \$5 million in new fire apparatus, and continuing progress on brand new stations.

Finally, we have identified a location for both the Joint 911 and Emergency Operations Center and the Fire Training Academy. It's county-owned land on Generals Highway behind Ram's Head Tavern. We'll be doing community outreach in the coming weeks.

The investments I've outlined are costly. The only reason we are able to make them is that this administration and the last County Council put us in a stronger fiscal position than ever in our history.

We are now one of only 52 counties in the country that has three AAA bond ratings, but we didn't get them by accident. We removed structural deficits, ended the practice of borrowing above affordability guidelines, aggressively funded pension obligations, and grew our revenue reserve fund, from 5% to 6% to 7%.

We're taking it further. For the first time in County history, this budget addresses the longstanding need to fund future retiree health benefits for our Anne Arundel County Public Schools teachers and staff, just as we do for our county employees. It's a \$19 million investment in our future and theirs.

We're also asking the Council to once again raise the limit we're allowed to hold in our revenue reserve fund to 8%, and we're funding to that limit.

I want to end with a message to our county workforce, to our dedicated public servants. None of the services in this budget would be possible without you, and we know that you are proud of what you do.

We all want to know that there will be good people who continue our work when we leave, and in this labor market that means competitive compensation.

All of our union contracts this year, as well as our package for non represented employees, include an impressive COLA of close to 5% plus some version of step or merit increase, putting most at 8%. It's a historic investment by our county, but I want you to know that you've earned it. You truly are making this county The Best Place For All.

And now I pass this budget on to the seven of you, to amend as you see fit, with input from your constituents, advice from your auditor, and cooperation from our Budget Office and department directors.

This community, this county executive, and I know this County Council, are keenly aware that we have only one local government, only one public school system, only one police department, fire department, health department, and department of public works. We have only one future, and our shared values as human beings call on us to invest in it.