



**Office of the County Executive
Steuart Pittman**

*Fiscal Year 2025 Budget Address
May 1, 2024*

I stand before you today to present my administration's sixth budget proposal for consideration by the Anne Arundel County Council.

All seven members of this body, hundreds of our residents, most department directors, and leaders of our unions have seen this year's Budget Town Hall presentation. In it we described a storm of fiscal pressures facing county government this year.

We watched the debates in Annapolis over when and how to grow revenues to cover projected state deficits, and we've seen drastic measures being taken by nearby counties.

We face escalating labor costs, large increases in the costs of contracts that provide essential services, new schools opening as state aid formulas work against us, and the end of federal rescue plan funding.

It sounds like a doomsday scenario, but it's not.

The American economy is in the midst of what some call an economic miracle. We got the post-pandemic soft landing that economists doubted, GDP and jobs have climbed beyond projections, inflation is far less than in most of the world, and low- and middle-wage workers are for the first time in half a century seeing real wage growth that is restoring buying power. Bidenomics, whether you love it, hate it, or don't understand it, is strengthening the American economy.

In Anne Arundel County, we are also doing well. Our economic drivers are the envy of the state, and our tax base is growing. At current rates, we expect recurring revenues to increase next year by \$113 million. That's a healthy sum that will pay for most of the increased costs we know we will face.

But we still have some tough choices to make.

As we entered the final weeks of budgeting, when we had to say yes or no to each of the requests from 33 departments and institutions, I established some principles, principles that you'll see reflected throughout this budget proposal.

The overarching one is the theme of this budget - **Staying Strong**. Whether you're proud or ashamed of it - or like me, a little of both - Anne Arundel County has the smallest government per capita of the big seven central Maryland counties. That means fewer cops, fewer firefighters, fewer parks. You get the idea. And it means lower taxes, and until recently a lower bond rating.

We've done some catching up since I took office. Three Triple-A bond ratings wasn't just about putting more money in reserve. It was an assessment that our government is delivering quality services to our residents, and making this a place that businesses and people want to be.

It was an acknowledgment that we are addressing threats to our future - threats like poverty, housing insecurity, climate change, aging infrastructure, crime, and the social determinants of health.

So when I say that the theme for this budget is Staying Strong, I am saying that we must not retreat from the progress we have made. Period.

The other principles are driven by the first, so I'll share them, along with specific investments that back them up.

1. We must maintain or grow our competitive advantage in hiring. Failure to do so in this labor market would leave us with so many vacancies that essential services would not be delivered.

That's why all of our union contracts and our commitment to nonrepresented employees include both the step or merit increase that we traditionally offer, plus a cost of living increase close to 3%. It's less than last year's historic 5% that was intended to compensate for the inflation surge, but it's as high or higher than all neighboring counties. More importantly, it's a fair reward for outstanding service by what I consider the best team in the state.

2. We must focus first on the backbone of government, the services to the services, the core agencies that make the others efficient. This year that meant paying the escalating costs of Information Technology, the contracts with software companies and hardware companies that deliver our new Police Real Time Information Center, our interagency Land Use Navigator, and a long list of other tools that make us better at what we do. These IT investments added \$5 million to what we spent last year.

3. The outlook for our future depends more on whether our school system can engage and empower the next generation of residents than anything else that government does.

So we can not, and will not, put a pause on the progress that this Superintendent, this Board of Education, and most importantly, these educators are making in our county.

Staffing our new schools, making up for the loss of funds due to formula changes from the state, paying for the potentially transformative Blueprint mandates, and continuing the innovations that began with federal ESSR funds, all put a big question mark on the superintendent's request for a step increase and 3% COLA for teachers and school staff.

But failure to deliver would have been exactly that pause in progress that we ruled out. So we are fully funding the superintendent's compensation request and surpassing last year's year-over-year increase in support for our school system with a \$48 million increase.

We look forward to attracting and retaining more of the best educators to what is, according to one national survey, the most envied school district in Maryland, Virginia, and D.C.

4. A strong economy is important, but it's simply a means to something greater. That something is health. The health and wellness of our people is the metric by which the success of government should be measured, but is too often the category of programs cut first during lean budget times.

The pandemic forced us to recognize that health comes first, and it was our health and human service agencies that stepped into the gaps most boldly, the gaps where our essential workers, our immigrants, our seniors, and our homeless were falling. As the virus waned and our economy surged, it was these very same people that our businesses needed most, to join the workforce and move us all forward.

Federal money allowed us to experiment, to create programs and see if they worked. And many have.

Turnaround Thursday is effectively moving incarcerated men and women into the workforce. We launched it with CARES Act money, and today it is funded with a federal earmark, because we showed our members of Congress that it works.

The Anne Arundel County Food Bank and the food distribution system we created with the help of our Partnership for Children, Youth, and Families has been giving people not only nutrition, but also some financial relief to cover some of the other bills that they are buried under. Finding \$1.5 million in county funds to continue this ARPA-funded assistance was hard, but morally mandated.

We did the same to continue our violence interruption, health ambassadors, and expanded hours at community health clinics, as well as our crisis intervention teams, summer food stamp funding, and support for the Arundel Lodge Behavioral Health Urgent Care Center at Anne Arundel Medical Center.

But this budget proposal doesn't stop there in strengthening our health services to residents. We also invested \$1.6 million to finally provide some benefits and a supplemental salary adjustment to our School Health staff, and we deployed \$1.2 million in new Opioid Abatement Funds to continue the essential work of saving lives from addiction.

5. Staying Strong is only possible if we protect the nature that sustains us, a task now being implemented by our new environmental sub-cabinet.

A few years back, the County Council was divided over our proposal to create a Resilience Authority. We promised that it would not only deliver projects to protect our residents and infrastructure from the impacts of climate change, but that it would also help our taxpayers' wallets.

Today, it is delivering projects that are paid for by state and federal grants that total an extraordinary \$32 million, with another \$58 million in the pipeline. It is also helping our county move past its reliance on fossil fuels.

To grow the next generation of environmental stewards, two projects are worth noting. One is funding to staff the county's first overnight nature experience in cabins and campsites at Jug Bay Emory Waters Nature Preserve.

The other is expanding Anne Arundel River Days to five waterfront locations this summer, so that families can at no cost get out on the water and learn about the magical estuary that we call the Chesapeake Bay.

Last, and in some ways most, is government's fundamental obligation to its people - public safety.

This is where our county's historic aversion to taxes left us far behind our neighbors. Police, Fire, Detention, Sheriff, and Office of Emergency Management are the departments where our budgets have grown most over the last five years, but Staying Strong means continuing to grow that investment and attracting and retaining the best personnel.

To deliver on a goal that I set in response to this year's Budget Town Halls, this budget proposal raises the starting salary for our Police Officers from \$62,160 to \$70,000. That's higher than any department in the state of Maryland today.

To get that done we also needed to offer a generous pay package to keep our existing officers, a package that will cost taxpayers \$5 million, but sets us up well to finally fill our vacant positions. Then we can have a realistic conversation about what the ideal size of our force should be.

We are also budgeting an additional \$2.9 million to cover projected Police overtime, and \$400 thousand to staff our most effective new crimefighting tool, the Real Time Information Center, RTIC.

Our firefighters are no longer going out on calls with just one or two on an engine, but they're not yet to the standard called for as a national best practice. The Chief and her team are effectively filling academy classes, but we want more. That's why this budget has bumped up funding to train 70 recruits in the coming fiscal year, even as we budget \$2 million for projected overtime.

Vacancies at Detention were cut in half over the last year, from 18% to 9%. Innovative recruitment strategies conceived and implemented through a collaboration between the department leadership, the union, and the Office of Personnel made that happen, so we will continue to fund what works, including \$150,000 for hiring bonuses.

The Sheriff and his deputies suffer from a 21% vacancy rate, but that didn't keep them from being the first administration to step up and deliver what our judges have pleaded for each and every year: an officer in every courtroom.

This budget funds an innovative request to accommodate that new policy - new positions and pay increases for non-sworn security to cover courthouse entry and other positions that allow deputies to be in courtrooms.

Everything I've discussed so far is in the Operating Budget, but our Capital Budget also reflects our commitment to both fiscal discipline and Staying Strong.

Five years ago we raised our income tax one-tenth of one percent, specifically to address crumbling infrastructure and past failures to keep up with population growth. The transportation, public safety, and education projects funded with that money have allowed us to maintain borrowing below affordability, even as we fund 301 capital projects in the FY25 general fund budget for a total of \$626 million.

We have new parks, multimodal transportation solutions, and public facilities being added to our capital plan each year, thanks to the willingness of our residents to invest in our shared future. And we're managing to do it without increasing our debt authority.

So now let's talk about the revenue side of this budget.

Our projections for incremental recurring revenue, the magic number that grows in a good economy and allows us to keep up with rising costs for services, adds up to a healthy \$113 million for this budget.

When we subtract out the things that we absolutely have to do - things like negotiated pay packages, required education funding, pension and retiree healthcare obligations - and then add to that the things I've just made a case for, we show a deficit. A deficit of \$13.6 million.

That's not a huge amount of money in the context of a \$2.1 billion budget, but responsible budgeting requires us to address it.

So I did what every business person does who needs to balance a budget without reducing the quality of the product. I asked the Budget Office for some proposals that would generate revenue, and from that list, here is what we're proposing.

First, we'd like to update the permit fees at Inspections and Permits for the first time in twenty-one years. Those fees were originally set to reflect the cost of doing the work, but today taxpayers are subsidizing them. Linking fees to costs will produce an estimated \$5.9 million.

Anne Arundel County residents pay 75 cents each month for 911 service, the lowest rate in the state. By raising our fee to the state average of \$1, we generate an additional \$1.7 million.

Our income tax rate today is 2.81% for combined household income above \$75 thousand and below \$480 thousand. Income below and above those levels is taxed at a lower and higher rate, respectively.

That 2.81% is lower than every other Maryland county except for Cecil, Garret, Talbot, and Worcester, where just 3.6% of Marylanders live. Most counties tax all income at 3.2%.

To generate the final \$6.0 million that we need to fund this budget, we are proposing a small increase from 2.81% to 2.94% on income between \$75k and \$480k. This would not change the fact that only 3.6% of Marylanders enjoy lower rates than ours.

Combined, these three adjustments generate the \$13.6 million of recurring funding that we need to remove the deficit from this budget.

The best news here is that our property tax remains the lowest in our region and one of the lowest in the state, because we are sticking to our county tradition of honoring the tax cap.

And for those of you who were shocked by the state's latest assessment of your home's value, be glad that you are in Anne Arundel County. Unlike neighboring counties, we recognize no more than a two percent annual increase in value when calculating the property taxes you owe on your home.

Now I am aware that some will say this budget is too small and others will say it's too big.

I've been asked why we don't just raise taxes to the level of our neighbors, and fund everything being asked for.

And I've been asked why we haven't figured out how to shrink government, and lower taxes.

I don't look for the political middle, or the left, or the right. What I look for is to build trust, trust between the outstanding public servants whose work this budget funds and the people whose money pays their salaries.

People say they want investments in public safety and education, and that's where most of our new money is going. The next largest growth area is health, the thing that matters most to us, in the end.

I, and each of you on the Council, come from outside government. We each want to make these institutions work better, but we've also been impressed by how they work.

We've sat next to each other at budget town halls, and heard just how passionately our constituents advocate for government funding.

The lesson we're all learning, regardless of our political orientation, is that local government really does deliver.

Pandemics, storms, inflation, recession, insurrection, or the collapse of a major bridge do happen, but our county government agencies are the ones that step into the gaps and deliver for people in their time of need. Always.

That's why we will not back down on the progress we are making. It's why I did not say no to what is in this budget.

And it's why I know that all seven of you will take this proposal, look first to see if it includes your own priorities - and I hope it does - and then work with one another, with your constituents, with your auditor, and with the budget office to make it even better.

So thank you in advance. Thank you for the work you will undertake in the coming weeks. And thank you for what you do to make Anne Arundel County the Best Place for All, and for all of your districts.