



**Presentation to the
House Ways and Means Committee
2013 Session Priorities
January 30, 2013**

Thank you for the opportunity to speak with you today regarding the Maryland Association of Counties (MACo) Legislative Priorities for 2013. The following individuals will present their perspectives on many pressing issues facing local governments, as well as respond to any questions:

- Richard M. Pollitt, Jr., County Executive Wicomico County, President, MACo
- Ingrid M. Turner, Council Member, Prince George's County; Immediate Past President, MACo
- Kevin Kamenetz, County Executive, Baltimore County; Board Member, MACo
- Andrea Mansfield, Legislative Director, MACo

The past few years have been difficult for all of us. You have been forced to make some tough decisions and although we may not have been happy with all of them, the result is that the structural deficit is almost eliminated. MACo congratulates you on this accomplishment and we hope that all of us can look forward to better times ahead. We also believe this improved fiscal picture sets a good foundation to achieve MACo's legislative priorities this session.

County Budget Security – A cornerstone of MACo's legislative initiatives for the past several years, MACo and county leaders have emphasized the importance of maintaining and restoring county funding and easing the financial burden of prior cost shifts as the economy improves. We were very pleased to see the Governor's proposed budget begin this process. The Governor's budget and accompanying budget reconciliation bill do not include any newly proposed reductions in aid to county governments or jointly state/county funded programs. Further, consistent with your actions last session, previous reductions to formula funding for local police departments and health departments have been restored. The cost shifting of assessment functions of the State Department of Assessments and Taxation will abate to a 50/50 split, down from a 90% county burden for each of the last two years. The net effect of these incremental changes over the FY 2013 budget total almost \$40 million. In addition, the Teacher Retirement Supplemental Grant has been continued to assist some counties with covering teacher pension costs. This represents a greatly improved fiscal outlook and we hope the resulting FY 2014 budget is at least this good, if not better, following your deliberations over the next few months.

While the economy is improving and the State is experiencing some growth, the county revenue outlook is not quite as bright due to the stagnant nature of the property tax. Property assessments have declined for the fourth straight year. The Department of Legislative Services has estimated that property tax revenue will only grow by .1% from FY 2012 to FY 2013 – resulting in a drop from the prior year estimated growth of .7%. As State property tax revenues are estimated to decline at a rate of -0.3% in FY 2014 and -0.8% in FY 2015, it suggests local governments will have a number of difficult years ahead. We ask that you keep this in mind as you make budgetary decisions.

County Government Voice in State Pension Administration – As counties take on responsibility for financing the pension system, they would like to have a seat at the table where decisions are being made about pension fund investment policy and benefits administration. MACo is seeking legislation this session to provide for two representatives affiliated with county government to fulfill this role on the Maryland State Retirement and Pension System Board of Trustees; one with financial management expertise and the other with benefits administration experience. MACo believes these individuals would be able to represent the counties’ new role as financers of the system as well as contribute a high level of knowledge to assist with making the difficult decisions of the Board.

Local Government Motor Fuel Tax Exemption - Under current law, counties are required to pay the motor fuel tax on motor fuel purchased by the county for county-owned vehicles. The State was also required to pay the motor fuel tax in a comparable situation until FY 2006, when an exemption was provided for motor fuel purchased by the Department of General Services for use by State agencies. This exemption eliminated the requirement of one taxpayer-supported fund subsidizing another. MACo is seeking a comparable exemption for county governments.

Local Government Flexibility Regarding Personal Property Tax for Businesses - Counties are seeking the flexibility to set personal property tax rates lower to help promote economic growth and be more business-friendly. Over the past two years, some counties have had to increase property tax rates to balance their budgets. Under existing law, the personal property tax rate automatically increases at 2.5 times the real property tax rate. Our elected officials feel the decoupling of these rates would help to incentivize business investment.

While we have highlighted a number of priorities which will be before your committee, we are also seeking to relieve some of the strain placed upon our county planning, permitting, and environmental health departments. While we do not expect any major legislation regarding new land use or environmental mandates, we are asking the State to hold off on additional changes to give our counties time to catch up with the implementation of Watershed Implementation Plans, Septic Tiers, and PlanMD Tiers. We are also seeking to move the comprehensive planning and zoning process from a 6-year cycle to a census-based 10-year cycle, with a “check up” at the 5-year point.

New environmental mandates are having a significant administrative and fiscal effect on local governments. Many counties have estimated that the implementation of Watershed Implementation Plans could cost billions of dollars to upgrade and retrofit storm drains and sewer systems to meet these requirements. We ask that you keep these costs in mind as you make decisions that will affect county budgets in FY 2014 and beyond.

We look forward to working with you on our MACo priorities and thank you for giving us the opportunity to speak with you today.