

Budget Reconciliation and Financing Act of 2012

Bill Page / Article	Description	Comments/Concern
Pages 25 – 29 State Personnel and Pensions §21-304, 21-309.1	Teacher pension shift – future years calculated so combined local contribution (social security in school budget, some pension costs paid by county government) becomes 50% of total combined costs.	Amount of shift likely grows in future years – FY14 estimate may be \$300 million, growing \$60m+ per year afterwards State can capture income tax to compel payment Not clear whether system’s unfunded liability would partially transfer to county’s balance sheet
Page 47, Section 19 Uncodified Language	Teacher pension shift - Specifies how much each county would pay in FY 2013 toward teacher retirement costs totaling \$239.3 million	These costs would be borne by the county directly and (since the bill is silent on the matter, and the payment is not an appropriation to the school budget) would not be considered as a part of the county’s reaching Maintenance of Effort
Page 46, Section 15 Uncodified Language	Authorizes Governor to ignore formulas and flat fund most programs at the FY 2012 level for FY 2013 – FY 2017. Highway User Revenues, Health Departments, Police Aid, Community Colleges, Libraries, etc. would be flat funded for the next 5 fiscal years	Expected effect on county programs for FY 2013 is roughly \$29 million, future year effects even greater MACo opposed, and General Assembly rejected, similar language in 2011 session – would eliminate need for legislative consideration of budget-balancing efforts trumping statutory priorities
Page 44, Section 6 Education §5-203	Eliminates requirement that school boards pay pension costs for federally funded teachers	<i>(Administration characterizes as pension shift offset)</i> Relieves the schools from this requirement, but no offsetting funding relief to county governments
Page 29 Tax - General §2-608	Forgives repayment of \$367 million to income tax reserve fund, \$36.7 million for FY 2013	<i>(Administration characterizes as pension shift offset)</i> Counties always argued that repayment of this fund was unnecessary
Pages 31 – 32 Tax – General § 10-211	Caps income tax deductions and phases-out exemptions for higher income earners, based on Administration estimates, generates \$110.7 million in revenue for county governments (by increasing taxable income amount for higher income taxpayers)	<i>(Administration characterizes as pension shift offset)</i> Income levels affected are being met with opposition; any “softening” in brackets reduces county revenue effect Estimated revenue is based on 18 months of revenue for FY 2013 and will drop by roughly a third in FY 2014 and beyond Higher earners’ late-filing extensions mean some revenue (maybe 10%) not realized until FY 2014
Page 44 Tax – Property §12-105	Closes the recordation tax loophole for Indemnity Deeds of Trusts (generally commercial property transactions), estimated to generate \$39 million in revenue	<i>(Administration characterizes as pension shift offset)</i> Very high volatility in revenues, depending on specific large transactions Difficult to build budgets on figures with such uncertainty, forecasted revenues are a guess
Pages 8 – 9 Education §5-101, 5-103, 5-202	Requires school boards to include funding for court judgments (in school construction fund category, effectively excluding it from the MOE calculation) to ensure funds are available to offset State expenditures for this purpose	Court of Appeals ruled in <i>Beka Industries, Inc. v. Worcester County Bd of Educ.</i> , No. 47, Sept. Term 2010, Opinion by Greene, J., that State is responsible to pay court judgments against schools; BRFA shifts this funding responsibility to local governments, and precludes county government from reducing those items in proposed school budget

