



**Presentation to the
House Ways and Means Committee
2014 Legislative Priorities
January 30, 2014**

Thank you for the opportunity to speak with you today regarding the Maryland Association of Counties (MACo) Legislative Priorities for 2014. The following individuals will present their perspectives on many pressing issues facing local governments, as well as respond to any questions:

- Richard M. Pollitt, Wicomico County Executive, MACo Immediate Past President
- Craig L. Rice, Montgomery County Council Member, MACo Education Subcommittee Chair
- Robin Clark, Policy Analyst, MACo
- Andrea Mansfield, Legislative Director, MACo

The rebounding of the economy and the closing of the structural deficit made Fiscal 2014 a much better year for counties. The budget restored formula funding to local police departments and health departments, offset some of the costs previously shifted, and did not make further reductions.

Although it appears that some ground has been lost in closing the structural deficit, the State projects revenue growth in Fiscal 2015 and the Spending Affordability Committee has recommended that the budget grow by no more than 4%. We believe this fiscal picture sets a good foundation to maintain county funding in the Fiscal 2015 budget and achieve MACo's legislative priorities this session.

MACo has adopted four legislative initiatives and for the first year of many, we are focusing on one budget initiative, "Transportation Funding Restoration." However, we are still concerned with the overall fiscal outlook for counties. Our broader fiscal concerns and initiatives are described below.

County Fiscal Outlook - The economic rebound is very different across the state in terms of job and revenue growth. While counties more centrally located are experiencing some growth, those in outlying areas, particularly the eastern shore, are not experiencing growth at all. Although income tax revenue is expected to grow slightly, mostly due to increases in capital gains, high unemployment and little improvement in the job market in a number of counties gives little hope of significant recovery. Counties are also feeling pressure from federal budget uncertainties and potential changes in the treatment of out-of-state income for county income tax purposes.

While beginning to stabilize, the property tax base has been in unprecedented decline over the past several years. For the group of properties recently reassessed, residential property values rose by 1.3% statewide. However, residential property values actually declined in 19 of 24 jurisdictions. The

same has occurred for commercial properties. The value of commercial properties increased by 16.3% statewide, but 10 of 24 jurisdictions saw a decline in these values. This suggests that a large number of counties have a few more difficult budget years ahead.

Transportation Funding Restoration – For decades, local roadways were funded as one of the modes of transportation receiving 30% of Highway User Revenues (HUR). This percentage has been reduced to 9.6% . With the recent expansion of transportation revenues, it is time for local governments to again play a more significant role in the State’s transportation funding plan. A former Commission recommended an incremental restoration of HUR back to the original shared distribution and a more recent Task Force recommended that “continued consideration be given to identifying a reasonable, incremental strategy to provide local jurisdictions with an increase in the basic level of HUR....” MACo advocates for a funding strategy to be implemented this session.

Empowering School Board/County Partnerships – Local school boards and county governments share the responsibility for the education and well-being of schoolchildren. Working together with education advocates, MACo would like to develop an approach to encourage county support for school investments outside of perpetual mandates and discover budget efficiencies. This approach could include a “fast track” State approval of funding initiatives where the county and school board agree, and an annual meeting of these parties to discuss cost-saving opportunities through joint procurement and program administration.

Leverage Bay Restoration Funds to Target Failing Septics – MACo has advocated for a broad array of “tools” to help counties meet their water quality goals. A cost-effective and environmentally responsible “tool” would be to expand the uses of the Bay Restoration Fund to provide for the extension of public sewer to failing septic. MACo has been working with the Departments of Environment and Planning on this initiative and seeks passage of legislation to expand the use of the Fund for this purpose while providing for adequate safeguards against sprawled development occurring along the extension.

Collaborative Public Safety Radio Systems – Many counties are working with the State to help it complete a new public safety radio system, Maryland FiRST. This system will improve “interoperability” for our first responders and lower infrastructure, equipment, and maintenance costs through shared resources. Working with the Administration, MACo is seeking the creation of a governance board to protect both State and county interests and provide county users with a role in the system’s oversight and management.

We, again, thank you for the opportunity to speak with you today and look forward to working with you on our MACo Legislative Priorities.