

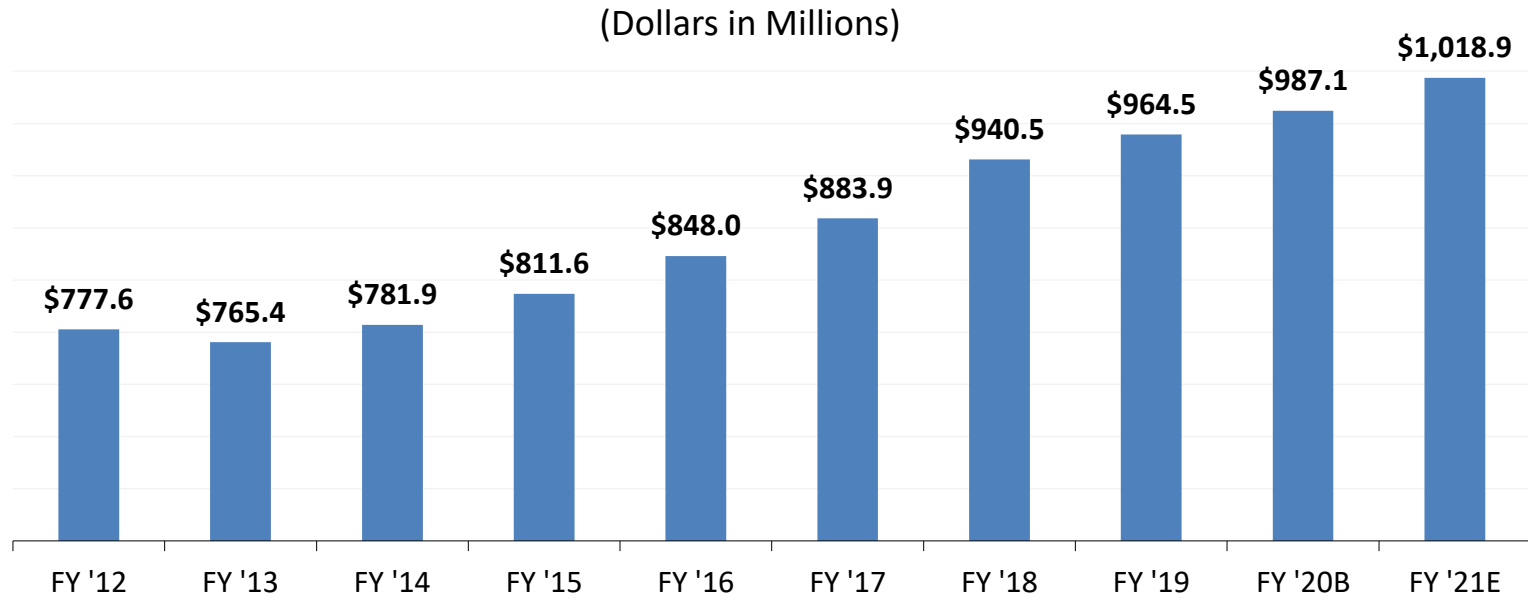
Planning Commission Fiscal Outlook

January 9, 2020



Fiscal 2021 CLS

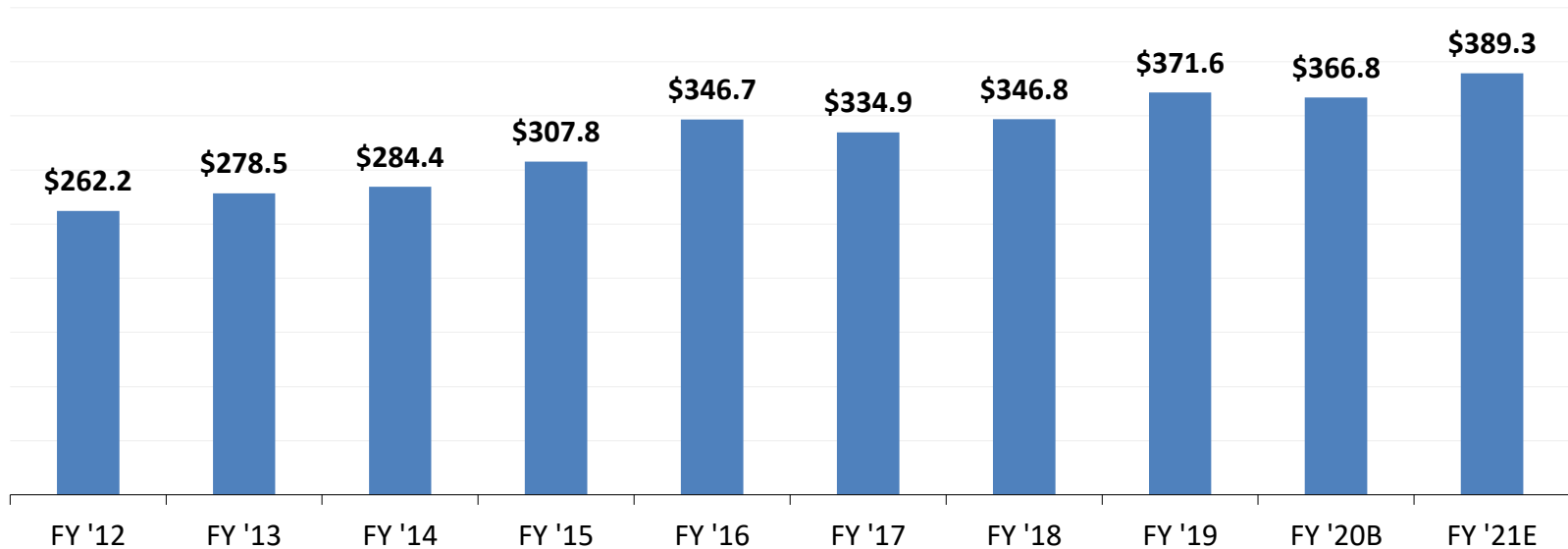
Real and Personal Property Taxes



- Properties in Group 2 have been reassessed for Fiscal 2021.
- SDAT reports triennial growth of 9.1% for Baltimore City.
- 63.4% of properties increased in value, while 36.6% decreased in value.
- For tax purposes, increases are phased in over three years, while decreases take effect immediately.

Income Tax

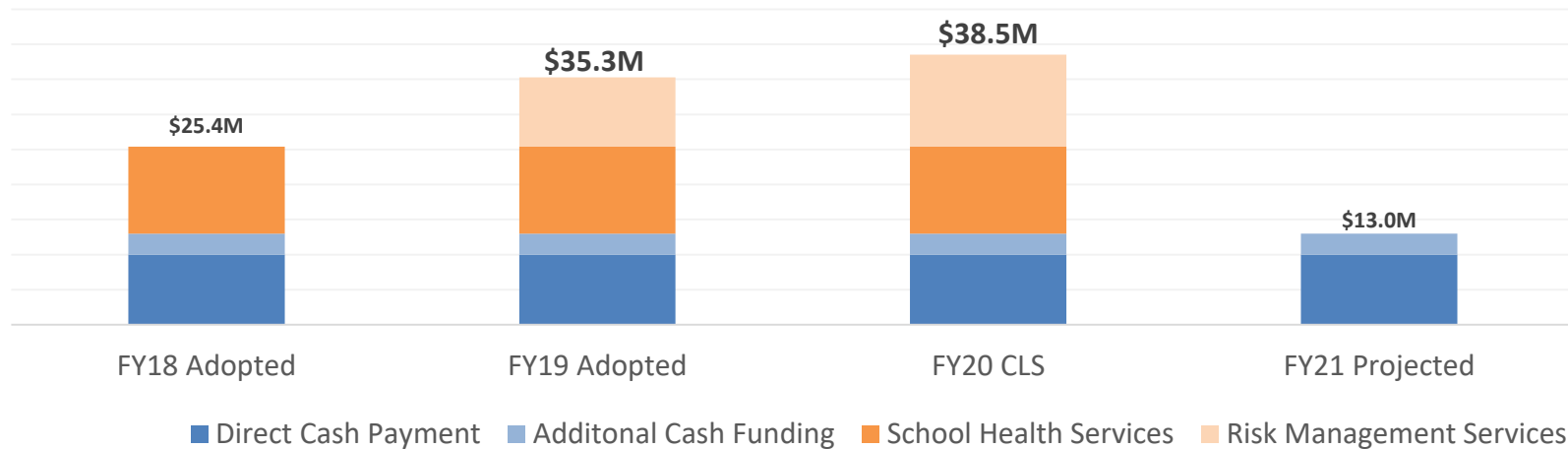
(Dollars in Millions)



- State BRE is reporting a favorable impact on State and local income tax receipts, due to the Federal tax reform (Tax Cut and Jobs Act) in 2018
- Fewer taxpayers are able to itemize deductions under the new law, which is leading to higher tax receipts on State returns.
- Economically, the City has recently kept pace or exceeded Statewide growth rates:
 - **FY18:** City 4.1% - State 1.6%; **FY19:** City 6% - State 4%

Bridge to Kirwan Funding for Baltimore City Public Schools

(Represents Funding Over Fiscal 2017 Funding Level)



- Fiscal 2020 marked the third year of the “Bridge to Kirwan” funding support for City Schools, totaling \$99.2M over three years.
- The City has used all fund balance set aside for the Bridge to Kirwan commitment.

Fiscal 2021 CLS - Summary

	Fiscal 2020 Adopted	Fiscal 2021 CLS
Revenue	\$1,967.4M	\$1,975.4M
Expenditure	\$1,917.3M	\$1,968.3M
PAYGO	<u>\$50.0M</u>	<u>\$0.0M</u>
Surplus / Deficit	\$0.0M	\$7.1M

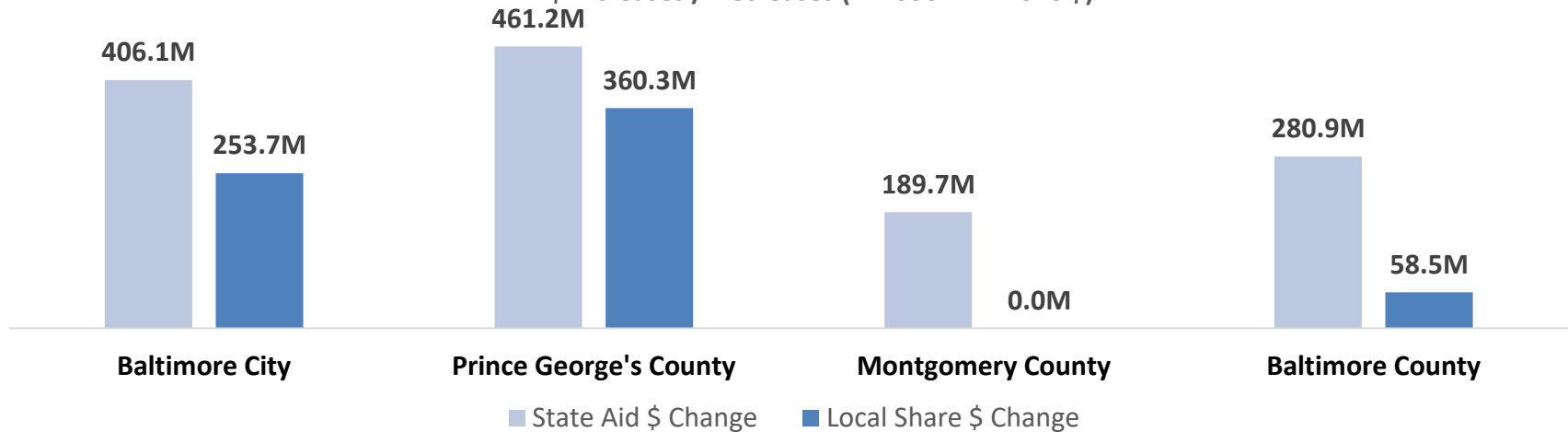
Notes

Fiscal 2021 CLS does not include:

- Additional year of School bridge funding (\$25M)
- School construction match funding (\$34M)
- ERP project funding

Kirwan Local Share

Kirwan Funding Formula Workgroup Recommendation:
State Aid & Local Share of Education Funding
\$ Increases / Decreases (FY2030 in FY2020 \$)



- The **Funding Formula Workgroup** released a funding and State/local share recommendation in October of 2019.
- While the proposed overall funding increase is about the same as proposed in the Adequacy Study in FY20 dollars, **\$2.9 billion**, the **State/local cost shares** of the proposed changes are very different.
- The recommendation of Workgroup proposes that **21%** of increased funding statewide under Kirwan come **from two low-wealth counties**: Baltimore City and Prince George's County.

Fiscal 2021 Planning Process

Guiding Principles

- **Preparation for Kirwan**
 - Begin planning ahead for new costs in Fiscal 2022 and beyond
 - Avoid unnecessary new costs
 - Redevelop scarcity mindset among leadership and staff
 - No sacred cows

Goals

- Ask agencies to develop two-year reduction targets, to force thinking about service prioritization and potential reductions
- Develop and rank all options within each category
- **Develop consensus among Senior Staff around the right mix to fund Kirwan**
 - Revenue enhancements
 - Agency efficiencies
 - Service reductions
 - Fixed costs / financial reforms

Fiscal Risks

Police legal liability

Risk

Low

Medium

High

Liability \$100M+ one-time

Available \$34.3M Fund Balance

BACKGROUND

Historical Claims

- In the last two years the City has paid \$17M total to settle two claims (Owens and Raymond Gray) and lost a jury trial for \$15M (Burgess), which is being appealed.
- Eight additional claims have been filed for potential wrongful imprisonment, ranging from 10-30 years.

GTTF

- States Attorney has overturned 800 convictions due to GTTF.
- City has received 20 GTTF claims so far but more are expected.
- Statute of limitations expires in three years.
- Law will argue “scope of employment” case in State Court of Appeals in January 2020.

Fire and Police pension lawsuit

Risk

Low

Medium

High

Liability \$20M to \$100M, one-time

Available \$67M Fund Balance

BACKGROUND

- Baltimore Circuit Court judge ruled in favor of retirees, but upheld City's change to active's retirement requirement from 20 to 25 years of service
- Retirees can seek damages from City, but calculations by member will take months to complete.

Economy / Recession

Risk	Low	Medium	High
Liability	TBD, recurring		
Available	\$0		

BACKGROUND

- National economy is now in its tenth consecutive year of expansion, the longest since WW2.
- Multiple signs of trouble ahead – stock market volatility, bond yield curve inversion, global trade war.