



BERNARD C. "JACK" YOUNG
MAYOR

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SB 1000 / HB 1300

February 17, 2020

TO: Members of the Senate Budget & Taxation Committee, Senate Education, Health, and Environmental Affairs Committee, House Appropriations Committee, and House Ways & Means Committee

FROM: Matt Stegman, Deputy Director of Government Relations

RE: Senate Bill 1000 / House Bill 1300 – Blueprint for Maryland's Future - Implementation

POSITION: SUPPORT

Chair Guzzone, Chair Pinsky, Chair McIntosh, Chair Kaiser, and Members of the Committees, please be advised that the Baltimore City Administration (BCA) **supports** Senate Bill 1000 and House Bill 1300.

The BCA is grateful to the members of the Commission on Innovation and Excellence in Education (the Kirwan Commission), who have spent nearly four years studying what the best-performing school systems around the world do to support students and educators and developing a plan to bring the best ideas here to Maryland. The BCA believes that SB 1000 and HB 1300 present a once-in-a-generation opportunity to transform the delivery of public education in the state of Maryland.

The bill implements many of the recommendations of the Kirwan Commission. It overhauls the formulas by which state and local appropriations for public education are calculated, creates a career development ladder for professional educators, codifies accountability measures to ensure resources reach the students most in need, and makes a host of policy changes designed to ensure every Maryland student completes high school ready for a college or career. The BCA stands ready to work with our state partners to implement the policy changes proposed in the bill.

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However, the recommended enhancements come with a significant price tag, both for the state and for local jurisdictions. The Department of Legislative Services (DLS) estimates that this bill will require Baltimore City to ramp up annual local investment in public education to \$340 million above current levels by FY 2030. Mayor Bernard C. “Jack” Young has declared that Baltimore City is “all in” for the Blueprint plan¹, but Baltimore needs the help of its state partners to meet this requirement given the City’s limited ability to further increase revenues or cut services.

The BCA requests, in the interest of equity, that legislative leaders give strong consideration to amendments that would direct more state aid towards comparatively low-wealth jurisdictions like Baltimore City. We respectfully request a **favorable** report on Senate Bill 1000 and House Bill 1300.

Baltimore City’s Preparation for the Blueprint for Maryland’s Future

Per current State law, local jurisdictions’ contributions for school funding are wealth-equalized based on property and income wealth. In many years the City has voluntarily contributed more local funding to education than required by statute. For example, between Fiscal 2001 and Fiscal 2009, when declining enrollment led to lower MOE requirements, the City chose to maintain School funding each year rather than reduce contributions at a cost of \$41.8 million. In addition, in Fiscal 2017 the State mandated an additional \$10 million contribution from the City above MOE.

Between Fiscal 2018 and 2020, the City made a significant three-year, \$99.2 million commitment of funding above the Fiscal 2017 MOE level to protect City Schools from declining State formula aid and rising costs (The “Bridge to Kirwan”). The Bridge funding legislation (HB684 of 2017) required that \$10 million of that commitment be a permanent increase beyond the three-year period. The remaining aid was provided by the City in the form of in-kind services for school health and risk management. In Fiscal 2020, the final year of the formal agreement, the City is providing a total of \$38 million above baseline including \$13 million of cash and \$25 million of in-kind services.

Mayor Young has committed to providing an additional \$25 million for schools in Baltimore’s FY 2021 budget to fully bridge the gap to the expected FY 2022 implementation of the Blueprint for Maryland’s Future.² The in-kind services and cash payments provided via the Bridge to Kirwan agreement were paid for with Fund Balance reserves, and the City does not have a recurring source of revenue to continue them.

¹ See, “Mayor Young Pledges \$25 Million to City Schools for Next Year”. Nov. 22, 2019. <https://content.govdelivery.com/accounts/MDBALT/bulletins/26db2d3>. Accessed Feb. 16, 2020.

“I want to be clear: Baltimore City will support its schools. I have a long history of fighting for increased funding for our young people and our classrooms, and I won’t stop now,” said Mayor Bernard C. “Jack” Young. “Consider this \$25 million for next year a down payment on Kirwan. As a result of those recommendations, we as a city will have to send hundreds of millions more in local funding to our schools over the next 10 years. We won’t shrink from that obligation.”

² *Id.*

To summarize, in thirteen of the last twenty fiscal years, City contributions have exceeded the MOE funding formula requirement, some per State mandates but most via voluntary City contributions. In Fiscal 2020, the City is providing \$89.8 million more annually than was required by the State's MOE funding formula.

Looking forward, every Baltimore City agency has been asked to identify reductions totaling 5% of their annual budget and to rank and prioritize all services the agency delivers.³ These exercises will help identify efficiencies that can be implemented immediately and inform future decisions related to service reductions and their impact. Concurrently, the Department of Finance has been working on refreshing its 10-Year Financial Plan, which will include additional savings ideas, such as revenue enhancements, service efficiencies and/or reductions, employee benefit changes, and other financial reforms.

Baltimore City's Ability to Increase Taxes or Cut Services is Constrained

Fully implementing the full local contribution of \$340 million more called for in FY 30 would require achieving savings equal to nearly 25% of the City's entire discretionary Operating Budget. This is a nearly impossible task given the current financial constraints the city operates under.

Baltimore City's personal and property tax rates are among the highest in Maryland, and in many cases at least double those of surrounding jurisdictions.⁴ This severely limits the City's ability to raise additional revenue. Even if the City were to raise tax rates, nearly one-third of the land area of the City is exempt from taxation because it is owned by a governmental, non-profit, or faith organization. Notably, the Port of Baltimore – the single most valuable piece of property in the state of Maryland – returns no property tax revenue to the City of Baltimore because it is owned by the State of Maryland.

Baltimore City was hit disproportionately hard by the last economic recession and has yet to fully recover. To manage the recession, the City was forced to respond with a series of revenue enhancements and service cuts. The City raised rates in Fiscal 2010 and 2011 on income taxes, hotel taxes, energy taxes, telecom taxes, parking taxes, and parking fines, among others. Additionally, the City added new taxes on billboards, taxi rides, and beverage containers, in an attempt to broaden the tax base. All of these taxes remain in place to this day.

Baltimore did not experience a sharp rebound from the depths of the Great Recession. This was not a typical "bust" followed by a "boom" cycle. Instead, the

³ See, Richman, Talia, "Baltimore mayor tells agencies to anticipate cuts as city prepares to fund statewide plan to improve schools". The Baltimore Sun, Nov. 22, 2019. <https://www.baltimoresun.com/politics/bs-md-pol-budget-kirwan-20191122-gz56cacmtrda3gsxdd7rpwmdhy-story.html>. Accessed Feb. 15, 2020.

⁴ See, SDAT, "2019-2020 COUNTY & MUNICIPALITY TAX RATES." https://dat.maryland.gov/Documents/statistics/Taxrates_2019.pdf. Accessed Feb. 15, 2020.

economic recovery has been slow and modest. In Fiscal 2013, the City developed a 10-Year Financial Plan, which predicted only modest revenue growth coupled with rapidly rising costs, especially on health benefits and pensions. Even a decade after the Great Recession, and after a series of impactful financial reforms and steady financial management, the City is still in a tenuous financial position. The immediate outlook for Fiscal 2021 is not promising. General Fund revenues are expected to grow only enough to cover the cost of existing services