

TALBOT COUNTY TAXPAYERS ASSOCIATION, INC.
May 4, 2010 Public Hearing on the Proposed FY 2011 Budget
President's Statement to the County Council

Good afternoon. The Talbot County Taxpayers Association is pleased to have this opportunity to comment on your proposed budget for 2011.

First off, we commend the Council, Andy Hollis, Angela Lane and the department heads for again this year managing spending down in response to expected lower revenues. We know this was difficult and we thank you for these efforts.

Before I comment on the budget itself, I would like to establish some context. The taxpayers in Talbot County enjoy the lowest real property tax rate in the State. It is almost 40% lower than the next lowest county. This rate has been declining steadily for many years because the increasing property values have forced the rate down to keep total collections under the County's tax cap, which I am happy to say the Taxpayers Association pushed to have added to the charter many years ago. We will continue our strong support for this cap.

County residents also enjoy a full Homestead Credit. No other county in the State offers a full credit, where the assessed value of the property cannot increase at all from when first purchased.

It is important to note that the county has not attempted to make up for the tax cap limits through higher personal property taxes or income taxes. Our rates are generally lower than average. Recordation and Transfer tax rates are about average.

We are evaluating this budget in the context of the lowest county tax structure in the state. To protect this tax structure, we must resolve some strategic financial issues.

The first of these is the way the charter locks up funds set aside for capital projects. On the whole, this is a good policy. It establishes certainty about the funding for capital projects and meeting contractual commitments. However in times of extreme financial difficulty, like we have now, there should be a way to recover this money in the case of projects that have not yet started. We believe this is a flaw in the charter that needs to be corrected. We realize that defining "extreme financial difficulty" for such a charter amendment would have to be done carefully so that every little bump in the road does not become an excuse for raiding the capital projects fund. However this charter change can and should be done.

We are seeing an escalating cost of employee benefit programs. This is nothing surprising. All organizations with employees are keenly aware of this problem. In the coming year, we encourage you to reevaluate the benefits package offered to county employees. The taxpayers must be assured that they are not paying for a benefits package for county employees that they and other employees in the private sector do not receive.

Our Association is concerned about the way the school budget is growing in relation to the budgets for all other departments. It is now 56% of all general fund expenditures.

This squeezes funding for other important County responsibilities, such as public health and safety. The structural incompatibility between the state-mandated "Maintenance of Effort" requirement and the County's tax cap must be addressed.

We encourage the County to develop a policy in this area. As important as it is for the community, school spending cannot be permitted to increase faster than the increase in revenues allowed by the tax cap -- the lesser of 2 1/2% or the rate of inflation. School funding increases, because of the maintenance of effort requirement, will tend to compound faster than property tax revenues during good times, but it cannot be reduced when times get tough, like now -- they just keep ratcheting up and squeezing out all else. A simple policy would be to permit no increases in school funding beyond the limit of the tax cap, unless required by the maintenance of effort. Whatever the policy, we cannot continue to permit school funding to ratchet up significantly higher than inflation as it did in the recent past. For the three fiscal years ending this June, schools have received a cumulative funding increase, over the maintenance of effort requirement, of almost 15% - that includes 2010 when they received no increase. However, during the same period, cumulative inflation has been about 5%. This disparity, given the tax cap and the ratcheting-up effect of maintenance of effort, is unsustainable for any extended period.

Thank you for giving us this time to comment on the proposed 2011 budget.