



# Spending Affordability Advisory Committee

11/17/2020

# Agenda

- The Committee
  - FY 2022 SAAC: charge, structure, and process
  - FY 2021 SAAC report & related government actions
- Fiscal Update
  - Federal CARES Act Funding
  - COVID-19 Business Impact & Assistance Programs
  - Fiscal Update
- Draft Meeting Schedules
- Around the Table: introduction and impact sharing

# SAAC Virtual Meeting Logistics

**Mute yourself** unless you're speaking, and after you finish talking please mute yourself again.

Any technical issues on login etc. please email [SAAC@howardcountymd.gov](mailto:SAAC@howardcountymd.gov) and somebody will assist you

Hold your questions until a speaker finishes his/her presentation. Q&A time is available after each presentation to allow discussion.

All SAAC meetings are public meetings. They will be recorded and posted on County website later. For the first time, we also plan to stream the meetings live at youtube.

# SAAC Committee Charges

Established through Executive Order each year as a **non-partisan** resident advisory body to offer **data-informed** advice to County Executive on budget and debt affordability

## Diversified and Comprehensive Structure

- Experts in different disciplines
- Representatives from businesses / economic sectors
- Representatives from non-profits
- Representatives from all three education entities
- Staff from the legislative branch
- Staff from the executive branch

# SAAC Committee Charges (Continued)

A report due by March 1 to County Executive with recommendations on:

- FY2022 General Fund projected revenues or spending ceiling
- FY2022 GO bonds budget ceiling
- Multi-year projections
- Other fiscal issues of concern or interest

Historically 7-8, this year 11-12 meetings. Key recommendations based on majority vote.

# FY21 SAAC Report - Revenues

## SAAC Recommendation

- 3.3% growth projected (before the Pandemic)

## FY 2021 Budget

- -0.2%
- Approved budget includes
  - Funding growth to HCPSS (2.2%), HCC & HCLS (2%)
  - County agencies funding was lower than prior budget through hiring freeze and various savings
  - One-time funding
  - One-time cost reductions

# FY21 SAAC Report – GO Debt Ceiling

## **SAAC Recommendation**

- \$70 Million
- Concerns:
  - Funding growth slowdown
  - Rising debt payment / revenue ratio

## **FY 2021 Budget**

- \$75.2M

## **Historical Budget**

- FY20: \$89.8M
- FY19: \$97.4M
- FY18: \$96.3M

# FY21 SAAC Report – Multi-Year

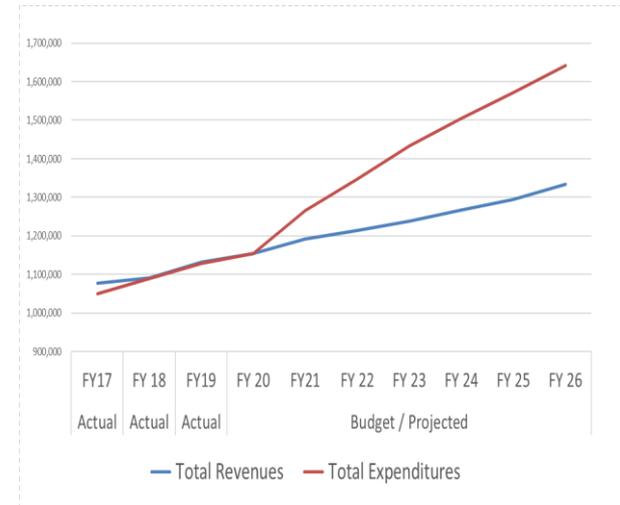
## SAAC Recommendation

- 2% annual revenue growth projected

- A significant gap between projected revenues and expenditures

- Issues/Risks

- Potential economic slowdown following a long economic recovery
- Legislative impact (APFO etc.) on various development related revenues (property tax, income tax, fire tax, school surcharge, transfer tax, recordation tax, road excise tax, etc.)
- Demographic changes (aging population etc.) and housing (shift to multi-family units)



# FY21 SAAC Report – Other Recommendations

## **SAAC Recommendation**

- Tackle revenue options
- Annual fee review
- Legislation Impact analysis
- Realistic multi-year CIP plans
- Increase fund balance
- Committee timeframe

## **FY 2021 Actions**

- Transfer tax increased (CIP)
- In process of RFP
- CB8-2020 and CB55-2020 passed requiring fiscal analysis
- FY21 CIP budget book: notable progress in realistic 5-year plan
- CAFR consideration
- Committee timeframe expanded

# **FISCAL UPDATE**

Federal CARES Act funding  
COVID-19 Business Impact  
Fiscal Conditions Update

# CARES Act Allocation

- Total County Allocation: \$56.8 million
  - Allocation for jurisdictions under 500,000 residents split between County Government and local health dept (\$28.4m county govt./\$28.4m HCHD)
  - HCHD agreed to grant \$9 m of its CARES Act allocation to County Government
- County Government Allocation: \$37.4 million
  - \$28.4m (50% total county allocation) + \$9m from HCHD

# CARES Act: Limitations

- Three Key Limitations
  - Funds can only be used for “unbudgeted expenses”
    - May not supplant funds already budgeted
    - May not be used to cover revenue shortfalls
  - Funds must be “incurred” between March 1 and December 30, 2020
  - Funds must be “necessary expenditures incurred due to COVID-19”

# CARES Act: Spending Strategy

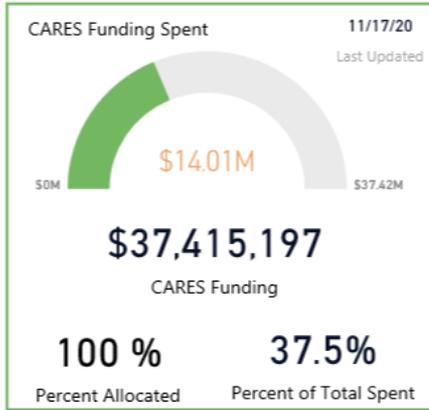
- Address Community Needs
  - Allocated \$5.9m to HCPSS for instructional model enhancements
  - Allocated \$5.5m for business assistance grants
  - Allocated \$1.6m for rental assistance
  - Allocated \$1.5m for non-profit assistance grants
  - Allocated \$750k to HoCo Scholars Program
  - Other allocations: Digital equity, food access, legal assistance, expanded County child care

# CARES Act: Spending Strategy

- Ensure Continuity of Government
  - Spent \$3m on supply purchases to facilitate telework and ensure the safety of County employees
  - Spent \$2.8m to provide hazard pay to employees dedicated to responding to the pandemic
  - Spent \$1.8m on overtime expenses for employees substantially responding to pandemic
  - Spent \$1m on additional services (cleaning, etc.)

# CARES Act Funding Update

## CARES Act Spending Dashboard



Howard County received a total of \$56.8 million from the federal *Coronavirus Aid, Relief and Economic Security Act* (CARES Act) which was signed into law on March 27, 2020. The funds cover eligible expenses incurred by December 31, 2020 in response to the COVID-19 public health emergency.

Howard County Government received \$28.4 million directly while another \$28.4 million was received by the Howard County Health Department, of which \$9 million is made available to the County to cover health-related expenses during the pandemic.

Funding spent reflects actual invoices received and processed. 100% of CARES Act funding has been allocated and will be spent within the required time period.

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## Howard County CARES Act Funding for COVID-19 Relief



CARES Funding - Actual and Projected Spending



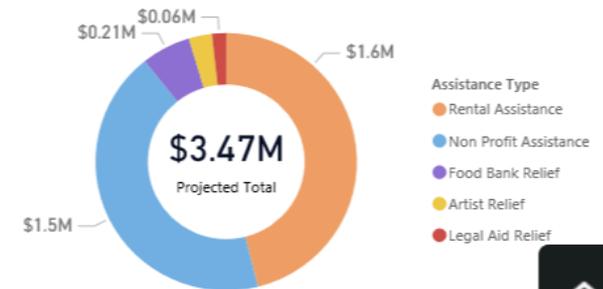
CARES Business Assistance Grant Funding



CARES Funding - Actual Spent by Type



CARES Non Profit/Individual Assistance Grant Funding



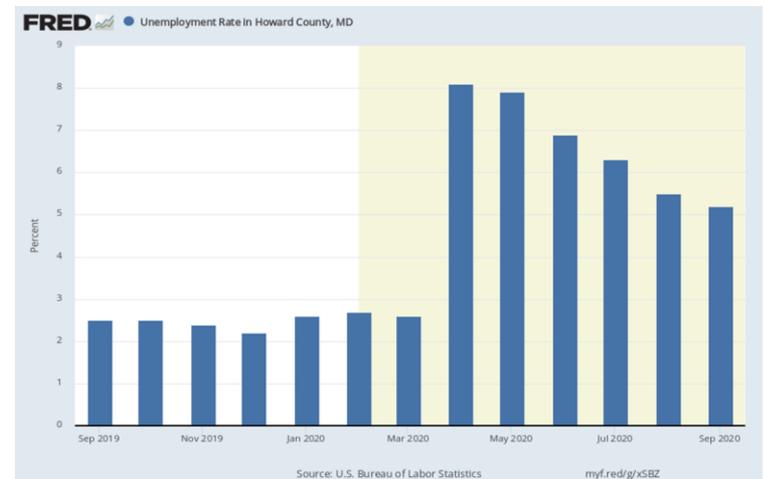
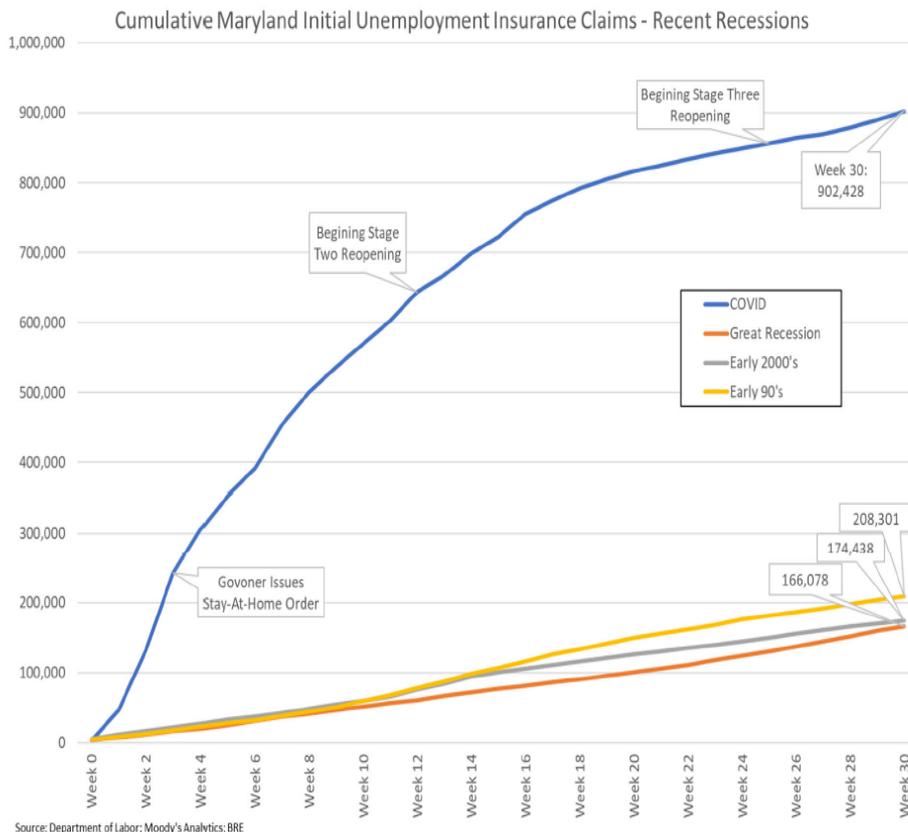
# Fiscal Update - YTD

- Local governments did surprisingly well at least for the first few months of the pandemic...due to **one-time and temporary** factors
  - One-time reconciliation distribution in Income Tax received in FY20 for delayed impact of Federal tax law change two years ago
  - **Fast and sizable (\$2 trillion) Federal stimulus package**, including
    - Direct checks and expanded unemployment insurances (some already expired)
    - CARES Act funding to state and local governments (expired by end of December)

# NOT A Reflection of Economic Reality

– Unemployment insurance claims continue to come in

- County unemployment rate tripled in the summer and still doubles the pre-pandemic level



- Hit hard
  - lower paid jobs and those in lodging, food, retail, and service industries
  - restaurants, hotels, retails, agriculture, and small businesses in general

# The Lagging Factor

- Moreover, due to the lagging, some revenues did not show signs of weakening until a few months or longer into the pandemic
  - Recordation Tax dropped by 24% in the first quarter of FY 2021
  - Hotel/Motel Tax dropped by 60% in the first quarter of FY 2021 with double-digit decreases six months in a row
  - Some revenues (e.g., property taxes) may take even longer to show the impact due to their lagging or phase-in nature

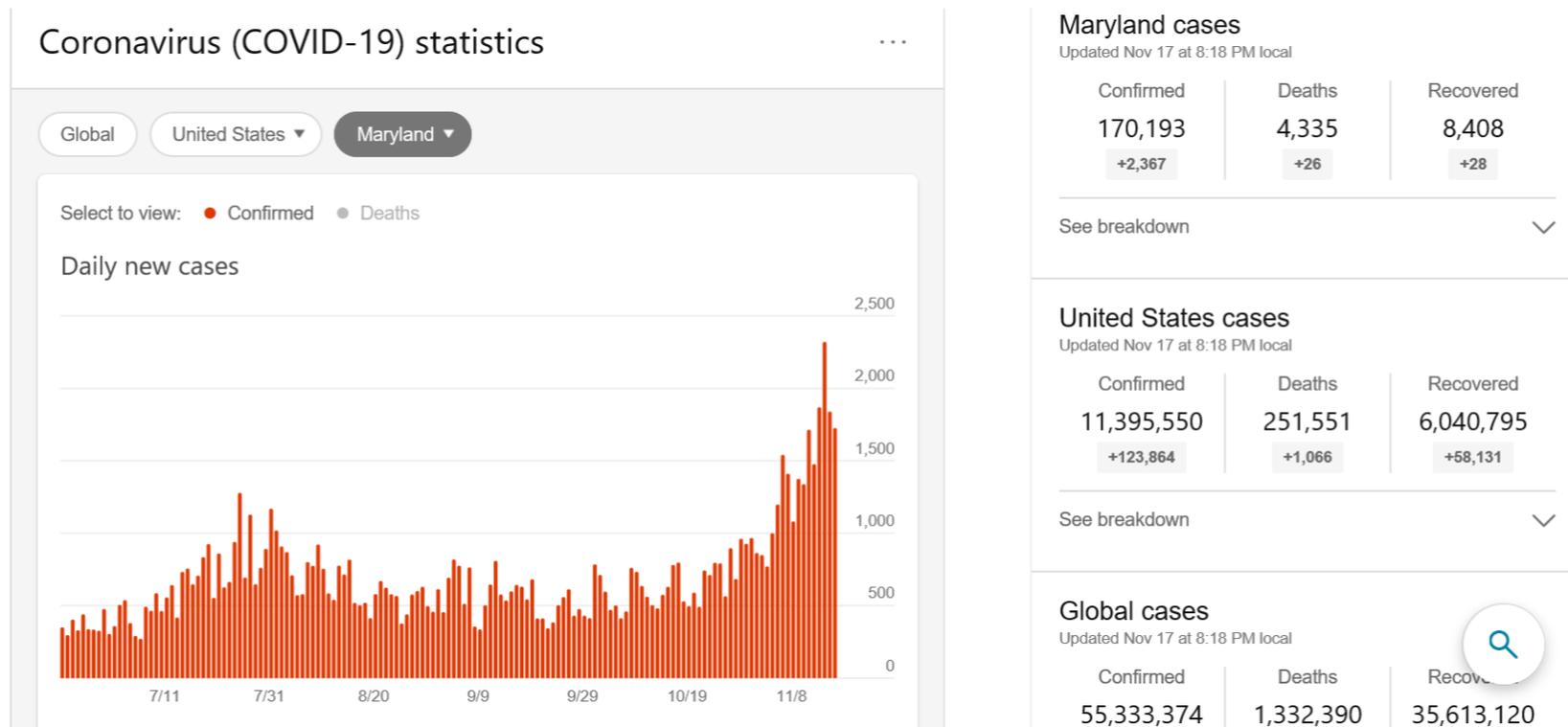
# Fiscal Outlook - Challenges

- Pandemic/Recession impact on revenues
- Known obligations (e.g., new courthouse annual payments, debt service payments growth for CIP)
- Make up for significant one-time solutions in FY21 budget (one-time funding used to support recurring needs, large scale hiring freeze, cut to snow removal, risk management etc.)
- On-going needs and cost increases for same services plus addressing pandemic/recession-related needs continuously

# Fiscal Outlook – Uncertainties

## The Pandemic

- Pandemic duration and severity and vaccine availability for the general public

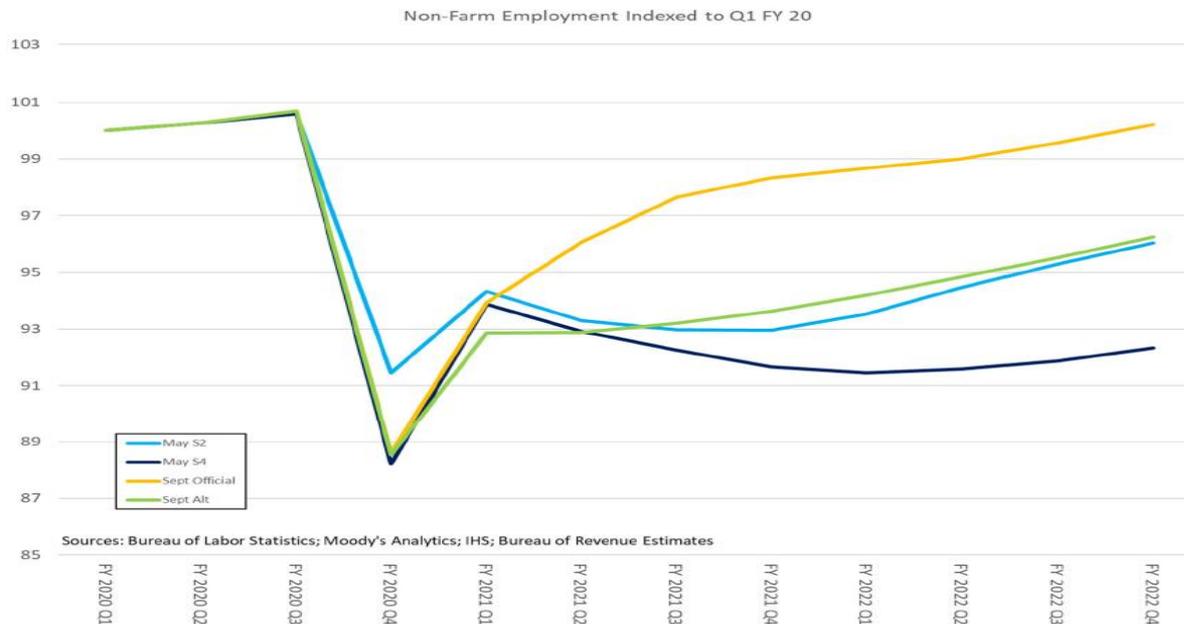


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# Fiscal Outlook – Uncertainties

## The Economy

- Economic recovery timing and pace
  - Consultants hired by the State Comptroller’s Office predicted **two to four years** for employment in Maryland to regain the pre-pandemic level



# Fiscal Outlook – Uncertainties: Federal Stimulus - Critical

- Federal 2<sup>nd</sup> stimulus package timing and size
  - “**States and localities** are in desperate need of additional federal intervention before the bulk of the CARES Act funding expires....and the result, without more help from Congress, could be **a significantly worse and protracted recession**...To continue to provide services that its citizens need and to avoid severe budget and employment cuts that will drag down the economy, states and localities need more federal help.” –**Ben Bernanke, former chairman of the Federal Reserve**
  - “If lawmakers don’t **quickly** pass another **sizable** rescue package that includes help to **state and local** governments and more income support to the unemployed, then the economy will suffer another downturn – a so-called **double-dip**. Unemployment will remain in the double digits until well after the pandemic is over.” –**Mark Zandi, Chief Economist at Moody’s Analytics**

# Fiscal Outlook – Uncertainties Other Factors & Proactive Actions

- Other Challenges/Risks
  - Legislative changes including APFO amendment expected to result in a sizable loss in various development related revenues starting from 2022
  - Stocks market
- For FY 2022 Budget Early Planning
  - County agencies instructed to work on both same-service budget and 3% reduction scenarios

# Future Meetings

- 19-Nov 7:00-9:00am General and fiscal update
- 3-Dec 7:00-9:00am CIP - Education
- 10-Dec 7:00-9:00am CIP - Infrastructure
- 17-Dec 7:00-9:00am CIP - Infrastructure / other big projects
- 7-Jan 7:00-9:00am Commercial Base & Business
- 14-Jan 7:00-9:00am Operating budget - Overview & Education
- 21-Jan 7:00-9:00am Operating budget - Other Agencies
- 28-Jan 7:00-9:00am Economic Outlook & Long-Term Trends (Demographic/Development)
- 4-Feb 7:00-9:00am Revenue, Debt, Multi-Year Projections
- 11-Feb 7:00-9:00am Recommendations for the Report
- 25-Feb 7:00-9:00am Report Writing - Draft review

# Around the Table (2 minutes each)

## Introduction & Pandemic/Economic Impact on Your Organization/Sector

- Tonya Aikens, Howard County Library System
- Todd Arterburn
- Richard Clinch, Ph.D.
- Lynn Coleman, Howard Community College
- Joan Driessen, Association of Community Services Howard County
- Piet de Dreu, Howard County Association of Realtors
- Howie Feaga, Farm Bureau
- Dan Gick
- Ellen Flynn Giles
- John C. Hendrickson
- Daraius Irani, Ph.D.
- Barbara K. Lawson
- Milton Matthews, Columbia Association
- Leonardo McClarty, Howard County Chamber of Commerce
- Steve Poynot (Committee Vice Chair)
- Jahantab Siddiqui, Howard County Public School System
- Joshua Tzucker
- Chao Wu, Ph.D., Howard County Board of Education

Wish You and Your Family A  
Wonderful and Safe Holiday!

