

<b>FROM</b>	NAME & TITLE	Henry J. Raymond, Director <i>HJR</i>	CITY of <b>BALTIMORE</b> <b>MEMO</b>	
	AGENCY NAME & ADDRESS	Department of Finance Room 454, City Hall (396-4940)		
	SUBJECT	<b>City Council Bill #15-0567 – Children’s Fund</b>		

**TO** The Honorable President and Members of the City Council  
Room 400, City Hall  
Attention: Natawna Austin

DATE: December 4, 2015

City Council Bill 15-0567 would propose to voters a City Charter amendment establishing a continuing, non-lapsing Children and Youth Fund to support a variety of education, health, recreation and other services focused on children and youth. The amendment would mandate an annual appropriation to the fund in an amount equal to \$0.03 per \$100 of assessed or assessable value of all property in the City. The bill specifies that the fund may not be used to substitute for or replace funding for programs or services provided in the Ordinance of Estimates for Fiscal 2017, except to the extent that federal, State or private agency funds for those programs or services have since been discontinued.

**Fiscal Impact**

Under the provisions of the proposed amendment, an amount equal to \$0.03 per \$100 of the assessed value of property in the City would be dedicated to new or expanded children and youth services starting in Fiscal 2018.

Based on the Fiscal 2016 assessed value of property, as reported in the Summary of the Adopted Budget, \$0.03 per \$100 of assessed value equates to \$11,439,294.

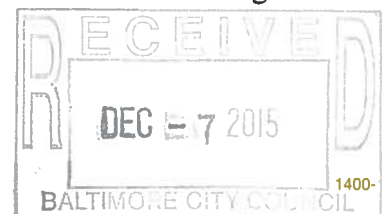
**Recommendation**

The Finance Department appreciates the goal of City Council Bill 15-0567, which is to improve outcomes for children and youth. That said, we are concerned that dedicating General Fund revenue for a specific purpose, no matter how worthwhile it may be, begins to undermine sound financial management, puts core services at risk, and is not the best way to achieve the City Council’s goals.

One of the hallmarks of sound financial management is flexibility for our city leaders to adjust spending and revenue to meet ever-changing needs, priorities and economic conditions. Any restriction on this flexibility, such as the one proposed by this bill, compromises fiscal management and would be viewed negatively by bond rating agencies. Baltimore has a long and proud history of good fiscal stewardship. It is one of the reasons why our city has never gone into default, receivership or bankruptcy.

Good fiscal stewardship also explains why our city was able to more than double spending on after-school programs over the last five years, years marked by the worst recession in more than half a century. It also explains why we have embarked on an ambitious plan to enhance recreation centers. Overall, the City will spend \$372 million on services for children and youth in Fiscal 2016 – 15% of the total operating budget and 17% of the General Fund budget

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will be spent on these services, including public schools, libraries, maternal and child health, child support enforcement, etc. This is an increase of \$14 million, or nearly 4%, over Fiscal 2015.

The Ten-Year Financial Plan has already saved the city \$515 million in long-term costs, lowered the property tax for homeowners, reduced risk and unfunded liabilities in the pension and retiree health programs, and boosted the city's bond rating. However, the city continues to face a large structural budget deficit. Last year, the Finance Department projected that the City is \$352 million short on funding current service levels over the next seven years (through Fiscal 2022) and another \$260 million short on meeting commitments for property tax relief, infrastructure investment, and employee pay increases.

These deficits are expected to be larger in the projections currently underway. Remaining Ten-Year Plan initiatives, even if they are implemented, would not come close to reaching balance.

Cuts to core services and tax increases will be on the table next year, and we are overdue for another recession. Dedicating base revenue to new programming for children and youth would make the cuts to core services deeper and – since core services like public safety, sanitation and transportation are difficult to cut – would potentially force reductions to the base children's budget. The roughly \$12 million that would be walled off under this amendment is equivalent to the cost of 200 positions, the entire recreation center service, or the grants to the Family League.

For these reasons, the Finance Department strongly opposes this bill.