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FROM	NAME & TITLE	Robert Cenname, Chief	CITY of BALTIMORE <b>MEMO</b>	
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall (410) 396-4941		
	SUBJECT	City Council Bill #18-0222 Charter Amendment – Equity Assistance Fund		

TO

DATE:

The Honorable President and  
Members of the City Council  
Room 400, City Hall

June 8, 2018

City Council Bill #18-0222 would propose to voters a City Charter amendment to establish a continuing, non-lapsing Equity Assistance Fund, to be used exclusively to assist efforts that reduce inequity based on race, gender, or economic status in Baltimore. The amendment would mandate an annual appropriation to the fund in an amount equal to at least 3% of the amount appropriated for the Baltimore City Police Department.

**Fiscal Impact**

This proposed amendment would mandate that at minimum, 3% of the funds appropriated for the Police Department in the Ordinance of Estimates be appropriated to the Equity Assistance Fund annually.

The recommended appropriation for the Baltimore City Police Department in Fiscal 2019 (all funds) is equal to \$509,618,142; 3% of this amount is \$15,288,544.

**Recommendation**

The Department of Finance commends the intention of City Council Bill 18-0222, which is to reduce inequity based on race, gender, or economic status in Baltimore. That said, the Department is 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 means by which to achieve the City Council’s goals.

One of the hallmarks of sound financial management is flexibility for 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 history of good fiscal stewardship. It is one of the reasons why the City has never gone into default, receivership, or bankruptcy.

The City has made significant progress in improving its fiscal condition under the Ten-Year Financial Plan, but significant challenges remain looking forward. From Fiscal 2019 to Fiscal 2028, BBMR projects that revenue will fall short of levels needed just to maintain current service levels. The City’s revenues historically track closely with the health of the national economy. The United States has now entered its ninth consecutive year of economic expansion, the second largest since World War II, which increases the chances of a recession in the short to mid-term. City tax rates are already the highest in Maryland, which limits the City’s options for raising additional revenue for new programs. And, the City faces an array of unfunded risks, including but not limited to the pending F&P pension lawsuit, Police legal liabilities,

additional consent decree costs, unmet capital needs across many agencies, education funding, and surplus schools.

The bill states the purpose of the proposed Equity Assistance Fund is to fund programs that are designed to provide equity in housing, provide equitable access to education, assist efforts to redress past inequities in City Capital Budget spending, and eliminate structural and institutional racism and other forms of discrimination based on immutable characteristics.

On education funding, the City has made good-faith efforts to address issues within limited resources. The City provided \$90.2 million in bridge funding for City Schools to address a \$130 million budget shortfall from Fiscal 2018 through Fiscal 2020. In addition to this bridge funding, the City is providing an additional \$3 million in each of these three years as well as additional capital improvement funding. The City also dedicates funding to the 21<sup>st</sup> Century Schools Program, which aims to increase equitable access to healthy, safe, efficient, and modern school buildings for Baltimore's children.

Dedicating funding equal to a set percentage of Police Department Funding would likely require cuts to core City services, including public safety, sanitation, transportation, health, youth recreation, and housing programs. Cuts to these core services could reduce equitable access to City services, which is contrary to the purpose of this bill.

For these reasons, the Finance Department opposes Council Bill 18-0222.

cc: Henry Raymond  
Kyron Banks