The novel coronavirus (COVID-19) has created a number of changes to the everyday lives of people across the country. People are now forced to wear masks into public spaces, many non-essential employees are out of work, and public hearings are now closed from the physical public.

At their April 21 public hearing, four out of the five St. Mary’s Board of County Commissioners (BOCC) sat down to hold their annual, and typically well attended, budget hearing for the upcoming fiscal year of 2020-2021. But this budget hearing was unlike any in the past.

In light of the public health crisis, the only people who were allowed to physically be in the meeting room besides essential personnel was the press, and even that was lacking. The public were asked to watch the hearing online or on local cable, and to call in with comments about the budget. Thus, they were ushering in the era of technological adjustments that are hitting local governments during the current pandemic.

“Was this good? No, it could have been better.” Commissioner Mike Hewitt[R-District 2] said following the public hearing, “But you know, it’s our first time. They didn’t really have time to practice, and people need to understand that clearly there’s nothing wrong with anything anybody said… It’s all about our technology, and there’s glitches, so it was obviously different for the people.”

Commissioner Mike Hewitt

Hewitt also spoke on how in over 20 years that he has been leading or attending budget hearings, he could only think of one other that had such low attendance. But the participation through the government phone line this year also made a difference in how impact statements are received.

“Whenever I speak to people, I like to speak to them in-person,” Hewitt said. “I think it’s very important that you get a chance to portray any emotion that you may have at that moment while remaining respectful, because it’s important for people to be able to talk to people eye-to-eye and face-to-face.”

Commissioner Todd Morgan

One county resident submitted her testimony in video format, which was played during the appropriate hearing. However, she was the only testimony that allowed the BOCC to “see the whites of [their] eyes” as Commissioner Todd Morgan[R-District 4] described during the hearing.

The county budget as it currently stands could be seeing some intense changes as soon as May, as a result of anticipated drops in revenue specifically from the sales and income tax. The budget was drafted with the expectation that the county’s revenue would increase by over $9.1 million, without raising income tax from its current rate of 3.17%. However, COVID-19 has flipped that script.

According to the Maryland Comptroller Peter Franchot[D], 240,000 Marylanders have filed for unemployment as of April 10. That forecasts that the state budget is facing a $2.8 billion deficit, representing a 15% loss to the state’s general fund. Commissioner President Randy Guy made reference to this statistic before the hearings began, saying the BOCC are “going to have to tighten [their] belts up” to deal with expected losses.

If St. Mary’s were to see a comparable loss of 15% like the state, it would result in a decline of roughly $37.5 million from the county’s $250 million general fund revenues in FY2021. However, it is difficult to determine how impacted the county will be, and how losses from any taxes will take its toll. While the commissioners emphasized they would rather plan for the worst, the larger portion of the county are federal workers or are still employed.

“We know that we have a little bit of insulation because of the base,” Commissioner Morgan said. “We have a lot of small businesses and other people who are not working and generating revenue. Revenue not only from the individual, but from the stores, the tourism, the hotels, all that stuff. The base, thank goodness, has paid its bills and a lot of those people are getting paid… But remember, three quarters of the county’s revenue is based upon the roughly 20,000 people who work on the base. So there’s a real weird anomaly here.”

Since March 21, St. Mary’s County has reported 3,746 unemployment claims. The Economic and Demographic Analysis for St Mary’s County which was published by the county’s Department of Economic Development projected that in 2020, the county workforce would consist of 66,710 members. This means that approximately 5.6% of the county’s workforce will have filed for unemployment since March 21.

It is difficult to determine how much revenue loss this would mean for the county, because the average incomes of these individuals are undetermined, but it shows that the county might be in better shape than the state as a whole.

“I don't think anybody has to be an economist or an MBA to understand that there's a loss of revenues,” Hewitt said. “I'm really concerned about our revenue numbers for 2020... We're going to have that audit in the first week in December, just like every year. It's going to tell us our actuals versus what we projected, and hopefully they'll be close. I'm not trying to be a pessimist but I'm a businessman, and I understand that when there's commerce that's not going on, that's income that's not coming in.”

Losses in revenue could lead to budget cuts, however there are other potential options the BOCC are exploring. The county currently has an unassigned fund balance of $30.3 million that is allowed to be used to address one-time nonrecurring expenses that impact the county.

The county has a general rule of keeping a 15% reserve to revenue ratio with their fund balance, meaning that the county could use $9.5 million to address expenses that meet the qualifying specifications. At the public hearing, the chief financial officer for St. Mary’s County Jeannett Cudmore said that “spending on this pandemic will be based on recommendations from the health department and our emergency services department for the county.”

“We have a policy that says we have to keep 15% and that's our policy, but policy is not law,” Hewitt said. “I don’t want to go below 15%. Will I go below 15% to maintain critical services? Yes, I will. We're going to have to take it in increments so that we don't have to deplete our fund balances to a point we're not comfortable... I think what we're hearing is when we get behind this pandemic, we have all the metrics in place to come back strong.”
Commissioner Eric Colvin[R-District 1], who was the only commissioner to vote no on the pre-coronavirus budget, said he would be fine with spending the fund balance to “maintain critical services,” even if it meant going below the 15% threshold like Hewitt mentioned. Colvin’s reasoning for voting against the original budget he claimed was because he already felt the board was already holding onto too much of the taxpayer’s money.

“We’re not running a bank here,” Colvin said. “I’d agree that if maintaining critical services meant going below that 15%, while of course spending it in a way we are allowed to, we absolutely should look into it.”

It can also be noted that the county elected not to raise property taxes in their original budget. The BOCC are set to have two more budget workshops on May 5 and May 12.

The financial crisis that COVID-19 has put the county and the state of Maryland in is nowhere near calculated yet, and the damage is likely not done. Stay tuned for updates on this developing story.

Read the current full budget proposal below:

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