



CECIL COUNTY, MARYLAND DEPARTMENT OF FINANCE

FISCAL NOTE

SUMMARY OF LEGISLATION

SPONSOR: Council President Bowsbey at the request of the County Executive

RESOLUTION NO. 33-2018 – Supplemental Appropriation – Board of Education – School Security

SYNOPSIS: A resolution to amend the Annual Budget and Appropriation Ordinance for Cecil County, Maryland for the fiscal year ending June 30, 2019 in order to provide the Board of Education Department’s budget within the General Fund expenditure appropriation authority to authorize \$1,000,000 to be expended for securing entrances and upgrading security at various County schools.

FISCAL IMPACT SUMMARY: The approval of this bill will have a net fiscal impact on the Cecil County of \$1,000,000, by expending the FY2018 assigned fund balance designated by the County Executive to adequately secure Cecil County Public Schools.

FISCAL ANALYSIS:

The FY2017 CAFR had the following assignments listed:

2017. The Assigned amount is also related to a state and local income tax court case that has resulted in potential refunds of local income tax.

The Assigned fund balance detail is as follows:

Assigned	
Reserve for Contingencies (Rainy Day)	\$ 14,227,610
Income Tax Refunds - Wynne Case	<u>1,100,000</u>
	<u>\$ 15,327,610</u>

It is within the power of the County Executive to determine if funds need to be set aside to safeguard the County against the risk of large unknown expenditures. In FY2013, an assignment of fund balance in the amount of \$3,500,000 was designated by the County Executive to provide a conservative amount of funding to pay back the State of Maryland if the *Comptroller of the Treasury of Maryland v. Wynne* ended in favor of the taxpayer and came due as one lump sum payment. After several years of appeals, the U.S. Supreme Court affirmed the judgement of the Maryland Court of Appeals on May 18, 2015. As residents were allowed to amend their tax returns, the actual liability to be repaid to the State by Cecil County became known. The amount the County owes the State as of March 31, 2018 is \$3,182,004. Currently the payback will start in the fourth quarter of fiscal 2021 and must be withheld from the quarterly income tax distributions in 20 equal installments. In terms of Cecil County’s liability this equals 20 installments of \$159,100. With the liability being known, and the immateriality of the amount that

will be withheld and not paid directly by the County to the State, the Wynne assignment safeguard is no longer needed.

In the last two years, the County has allowed \$2,400,000 of the Wynne assignment to roll back into the County's unassigned fund balance. However, in FY2018 the County Executive decided \$1,000,000 of the remaining assigned fund balance should not go back into the unassigned category of the County's overall fund balance, but instead, should be re-assigned to Cecil County Public Schools in order to facilitate additional security needs as identified by the CCPS staff. During the FY2019 budget process, CCPS identified additional entrances needing upgrades that could not be funded within the constraints of the budget. The re-assignment of funds that will appear in the FY2018 financial statements allows the schools the ability to make security upgrades within the County school system. CCPS will provide a scope for security projects in order of priority and once justified, will be reimbursed by the County up to \$1,000,000.

Although the County Executive has the power to assign fund balance, the Council, per Charter, must approve changes to the approved budget.