THE COUNTY COMMISSIONERS
OF KENT COUNTY, MARYLAND
BUDGET WORK SESSION
AGENDA

March 14, 2023

1:00 PM Call to Order/Pledge of Allegiance/Moment of Silence

Municipalities

Town of Betterton

Town of Chestertown

Town of Galena

Town of Millington

Town of Rock Hall

Municipal Tax Set-Off Discussion

Shelley Heller, County Administrator

Correspondence Review

AGENDA ITEM BRIEFING

Town of Betterton
3/14/2023
Budget Work Session

ATTACHMENTS:

Description

02.17.23 Town of Betterton, Budget Work Session Invite

The County Commissioners of Kent County

Ronald H. Fithian, President | Albert H. Nickerson, Member | John F. Price, Member
Shelley L. Heller, County Administrator | Thomas N. Yeager, County Attorney

February 17, 2023

Mayor Don Sutton
Town of Betterton
100 Main Street
P.O. Box 339
Betterton MD 21610

Dear Mayor Sutton and Council Members:

The County Commissioners of Kent County would like to extend an invitation to attend the March 14, 2023, Budget Work Session at 1:00 p.m. The Town of Chestertown made a request to discuss the tax differential/rebate for the FY2024 budget. The Commissioners would like to discuss the issue with all five municipalities. If you have any questions or concerns, please do not hesitate to contact me. Please confirm your attendance to the following email address: kentcounty@kentgov.org, no later than February 27, 2023. We look forward to hearing from you.

Sincerely,

Shelley L. Heller
County Administrator

Cc: The County Commissioners of Kent County
Pat Merritt, Chief Finance Officer

AGENDA ITEM BRIEFING

Town of Chestertown
3/14/2023
Budget Work Session

ATTACHMENTS:

Description

02.17.23 Town of Chestertown, Budget Work Session Invite

Presentation on Tax Differentials to Kent County Commissioners by Mayor Foster 3.14.23

The County Commissioners of Kent County
Ronald H. Fithian, President | Albert H. Nickerson, Member | John F. Price, Member
Shelley L. Heller, County Administrator | Thomas N. Yeager, County Attorney

February 17, 2023

Mayor David Foster
Town of Chestertown
118 N. Cross Street
Chestertown, MD 21620

Dear Mayor Foster and Council Members:

In response to your tax differential/rebate request at the February 14, 2023, Commissioners Meeting, the County Commissioners of Kent County, would like to extend an invitation to attend the March 14, 2023, Budget Work Session at 1:00 p.m. If you have any questions or concerns prior to the work session, please do not hesitate to contact me. Please confirm your attendance to the following email address: kentcounty@kentgov.org, no later than February 27, 2023. We look forward to hearing from you.

Sincerely,

Shelley L. Heller
County Administrator

Cc: The County Commissioners of Kent County
Pat Merritt, Chief Finance Officer

Presentation on Tax Differentials to Kent County Commissioners by Mayor Foster 3/14/2023

1) **Introduction:**

a) I want to thank the County Commissioners for hosting this workshop. Property Tax Differential and Rebates were significant issues during the recent campaign, and I am particularly pleased that you have publicly expressed your willingness to study these issues.

b) While there may be some areas where we disagree, I'd like to start this discussion by reminding all of us of the many things we have in common:

   i) First, we are all Kent Countians.

   ii) Municipal residents of our county are just as much your constituents as the non-municipal residents.

   iii) We all have a vital stake in the future economic development of our County; and

   iv) We all believe that all Kent County Citizens should be treated equally regardless of race, gender, national origin, <u>or place of residence</u>.

2) **Background:**

a) The Maryland Courts and Legislature became aware of the problem of Double Taxation at least as far back as the 1970s and, in 1978, directed the Department of Legislative Services to report annually on how counties handled this problem.

b) This year is the 40th anniversary of the Maryland Law designed to encourage counties to compensate municipalities and their residents when they provide their own services in lieu of the county providing them.

c) Initially, only eight counties were required to provide such compensation, while others were given more time to discuss, plan for, and develop such programs.

   i) Caroline County was the first to step up on the Eastern Shore and began providing a Tax Differential in 1985.

   ii) To its credit, Kent County was one of seven additional counties that voluntarily stepped up and provided a 5-cent Tax Differential at least from 1991 through 1995.

d) The annual report by the Maryland Department of Legislative Services on **<u>Property Tax Set-Offs</u>** demonstrates that nearly all counties have made substantial progress during those 40 years, with three notable exceptions.

   i) All other counties with municipalities provided a Tax Differential or Rebate and increased it by an average of about 5% per year.

   ii) Wicomico and Worcester Counties appear to have never provided a Tax Differential or Rebate, and Kent County, after initially providing a 5-cent Differential in the 1990s, reduced that rate to 2 cents per hundred of assessed value in 2000 and then dropped it to zero in 2008.

e) In 1997 Mayor Bailey commissioned an independent study by the University of Maryland's Institute for Government Service to objectively analyze what would be fair compensation for Chestertown.

f) In 2019 Mayor Cerino and I sought again to gain your support for an independent study.

g) And now, I ask that we follow through on our commitments to study this issue thoroughly.

3) **Two reasons Kent County should provide Tax Differential:**

   a) **The first reason is TRUST.** Trust in Government requires that government services and the taxes that support them are all administered fairly and equitably, without fear or favor. But, unfortunately, there are at least four reasons why our current tax policy **does not appear** fair:

      i. Your constituents living in Chestertown pay for County Sheriffs and County Roads PLUS for their own Police Force and Street Maintenance, even though non-municipal residents only pay for County services. This **Double Taxation** of municipal residents saves Kent County millions of dollars annually. Still, this subsidy is no longer even acknowledged, much less compensated.

      ii. The median household income of Chestertown, **the area that provides that subsidy, is substantially lower** (35% to 50% lower) than the non-municipal area of the County which receives that subsidy. And this pattern has existed every year for the last 12.

iii. Other counties, including rural counties with fewer resources, addressed this issue long ago.

iv. Kent County has never even conducted a thorough study to justify its current policy.

b) **The second reason is Economic Development.** Of course, every County Commissioner wants to increase our Tax Base by attracting new investment and residents. But the failure to provide a Tax Differential to compensate our town residents when they are doubly taxed adversely impacts the economic development that we all seek.

i. Maryland, through its Priority Funding Areas policy, has recognized that our Municipalities, because of their infrastructure, are usually the very areas most suitable for development. However, when Kent County fails to compensate municipal residents for providing their own services, this directly results in higher property taxes in those municipalities, thus needlessly discouraging further investment in the areas best suited for it.

ii. Economists at the Lincoln Institute of Land Policy have estimated that just a 10% difference in property taxes can lead to a 20 to 30% difference in investment when potential investors choose among sites in the same region.

iii. The 2020 Census found that Kent County had lost 5% of its population in the last ten years. Worse yet, most of those lost residents were among the 25 to 45-year-old group, the very people we need to retain and attract to build our economy. Therefore, our current property tax policy needs to be re-examined.

4) **Next Steps:**

a) Conduct a thorough and objective study to determine appropriate Tax Differentials and Tax Rebates in Kent County.

i. This opportunity for a study should be open to any municipality that wants it.

ii. Chestertown would be open to sharing the cost of such a study.

iii. The study could start with the one prepared by the University of Maryland in 1997 or start fresh with analysts from a similar institute on the Eastern Shore.

iv. The study's task force could include Kent County Economic & Tourism Development Commission members.

v. We recognize that acceptance of recommendations from the study would be optional and may need to be phased in.

b) As an initial show of good faith, we are not asking for any cash rebate to Chestertown but for a Tax Differential for county taxpayers with property in Chestertown equivalent to 10 cents per hundred of assessed property value. This Tax differential would constitute roughly 10% of the current County property tax rate.

   i. 10% is less than half the reduction recommended by the study conducted in 1997.

   ii. Coincidentally, a 10% reduction in property tax rates is the level economists predicted could favorably influence 20% of potential investors choosing among sites in our region.

c) Our third and final request will not cost the County any money. Instead, we are asking for a determined effort by both County and Municipal officials to seek opportunities for better collaboration in purchasing, using, and recycling equipment and supplies.

5) **Conclusion:**

a) It has been 40 years since Maryland first began encouraging counties to fairly compensate municipalities and their citizens when they were subject to Double Taxation. All but three counties have now started that journey. And so can we.

b) We can make a significant step toward restoring equity and trust in government when it is sorely needed and, at the same time, help Chestertown become an engine for the economic development of all of Kent County.

AGENDA ITEM BRIEFING

Town of Galena
3/14/2023
Budget Work Session

ATTACHMENTS:

Description

02.17.23 Town of Galena Invitation, Budget Work Session Invite

The County Commissioners of Kent County

Ronald H. Fithian, President | Albert H. Nickerson, Member | John F. Price, Member
Shelley L. Heller, County Administrator | Thomas N. Yeager, County Attorney

February 17, 2023

Mayor John T. Carroll, Jr.
Town of Galena
101 South Main Street
P.O. Box 279
Galena, MD 21635

Dear Mayor Carroll and Council Members:

The County Commissioners of Kent County would like to extend an invitation to attend the March 14, 2023, Budget Work Session at 1:00 p.m. The Town of Chestertown made a request to discuss the tax differential/rebate for the FY2024 budget. The Commissioners would like to discuss the issue with all five municipalities. If you have any questions or concerns, please do not hesitate to contact me. Please confirm your attendance to the following email address: kentcounty@kentgov.org, no later than February 27, 2023. We look forward to hearing from you.

Sincerely,

Shelley L. Heller
County Administrator

Cc: The County Commissioners of Kent County
Pat Merritt, Chief Finance Officer

AGENDA ITEM BRIEFING

Town of Millington
3/14/2023
Budget Work Session

ATTACHMENTS:

Description

02.17.23 Town of Millington, Budget Work Session Invite

February 17, 2023

Mayor Kevin Hemstock
Town of Millington
402 Cypress Street
P.O. Box 330
Millington, MD 21651

Dear Mayor Hemstock and Council Members:

The County Commissioners of Kent County would like to extend an invitation to attend the March 14, 2023, Budget Work Session at 1:00 p.m. The Town of Chestertown made a request to discuss the tax differential/rebate for the FY2024 budget. The Commissioners would like to discuss the issue with all five municipalities. If you have any questions or concerns, please do not hesitate to contact me. Please confirm your attendance to the following email address: kentcounty@kentgov.org, no later than February 27, 2023. We look forward to hearing from you.

Sincerely,

Shelley L. Heller
County Administrator

Cc: The County Commissioners of Kent County
Pat Merritt, Chief Finance Officer

AGENDA ITEM BRIEFING

Town of Rock Hall
3/14/2023
Budget Work Session

ATTACHMENTS:

Description

02.17.23 Town of Rock Hall, Budget Work Session Invite

The County Commissioners of Kent County
Ronald H. Fithian, President | Albert H. Nickerson, Member | John F. Price, Member
Shelley L. Heller, County Administrator | Thomas N. Yeager, County Attorney

February 17, 2023

Mayor Dawn Jacobs
Town of Rock Hall
5585 Main Street
P.O. Box 367
Rock Hall MD 21661

Dear Mayor Jacobs and Council Members:

The County Commissioners of Kent County would like to extend an invitation to attend the March 14, 2023, Budget Work Session at 1:00 p.m. The Town of Chestertown made a request to discuss the tax differential/rebate for the FY2024 budget. The Commissioners would like to discuss the issue with all five municipalities. If you have any questions or concerns, please do not hesitate to contact me. Please confirm your attendance to the following email address: kentcounty@kentgov.org, no later than February 27, 2023. We look forward to hearing from you.

Sincerely,

Shelley L. Heller
County Administrator

Cc: The County Commissioners of Kent County
Pat Merritt, Chief Finance Officer

AGENDA ITEM BRIEFING

Shelley Heller, County Administrator
3/14/2023
Budget Work Session

ATTACHMENTS:

Description

Municipal Tax set-off Discussion – FY24

MUNICIPAL TAX SET-OFF DISCUSSION – FY24

Kent County
MARYLAND

General Services

Parks

Law Enforcement Backup & Drug Task Force

Planning & Zoning Support

Hotel Tax

Fire Company Distributions

Finance – Tax Sale, Bookkeeping for Fire Companies

EMS

Alcoholic Beverage & Tobacco

Economic & Tourism Support

Fiber & IT Support

Communications: Law Enforcement and EMS

Kent County
MARYLAND

AGENDA ITEM BRIEFING

Correspondence Review
3/14/2023
Budget Work Session

ATTACHMENTS:

Description

03.14.23 Ken Hepburn Noble, Shepherd's Delight Farm, Tax Differential Public Comment