

MFP #2
January 25, 2010

MEMORANDUM

January 21, 2010

TO: Management and Fiscal Policy Committee
FROM: *CHS*
Charles H. Sherer, Legislative Analyst
SUBJECT: Spending Affordability Guidelines for the FY11 Operating Budget

The purpose of this meeting is to recommend guidelines for the public hearing on February 2, 2010. The Committee will meet again on February 8, after the public hearing, followed by Council action on February 9. The Council staff calculations are shown in the spreadsheet on ©1 and 1A. The deadline for the Council to adopt the guidelines is the second Tuesday in February, which is February 9.

Background On November 6, 1990, the voters amended the Charter to add to section 305 the requirements that “The Council shall annually adopt spending affordability guidelines for the capital and operating budgets, including guidelines for the aggregate capital and aggregate operating budgets. The Council shall by law establish the process and criteria for adopting spending affordability guidelines.” The resulting law is in sections 20-59 through 20-63 in the Code, which states that the Council must set **three** guidelines for the operating budget for the fiscal year starting the following July 1:

- 1) A ceiling on funding from property tax revenues.
- 2) A ceiling on the aggregate operating budget, which is defined as the total appropriation from current operating revenues for the next fiscal year, including current revenue funding for capital projects, but **excluding** appropriations for: specific grants, enterprise funds, tuition and tuition-related charges at Montgomery College, and the Washington Suburban Sanitary Commission. Specific grants are grants for specific programs which will not be provided if the grants are not received. Note that the aggregate operating budget includes current revenue funding for the capital budget.

On January 27, 2009, the Council approved a new method for calculating the ceiling on the aggregate operating budget, in which this ceiling is 5.9% of estimated personal income. The Council

stated that it may revise this % in future years. With the old method, the ceiling was approximately 94% of projected resources.

3) The allocation of the budget among current revenue funding for the capital budget, debt service, and operating expenses for MCPS, Montgomery College, County Government, and MNCPPC.

In adopting its guidelines, the Council should consider the condition of the economy, the level of economic activity in the County, trends in personal income, and the impact of economic and population growth on projected revenues. There is no provision in the County Code for amending the guidelines. In accordance with Section 20-61 of the County Code, each January, the Finance Director consults with independent experts from major sectors of the economy. These experts advise the County on trends in economic activity in the County and how activity in each sector may affect County revenues. The Director of Finance sends the findings to the Council each March.

Deadline for adopting the guidelines On September 16, 2008, the Council unanimously approved Bill 28-89, which specified that the Council must set the guidelines no later than the second Tuesday in February, starting with the FY10 operating budget, with no provision for amending the guidelines. In previous years, the Council was required to set the guidelines in December, with a provision permitting but not requiring the Council to amend them in April.

June 1 Approval of the Budget Section 305 of the Charter imposes two restrictions on the aggregate operating budget:

1) “An aggregate operating budget which exceeds the aggregate operating budget for the preceding fiscal year by a percentage increase greater than the annual average increase of the Consumer Price Index for all urban consumers for the Washington-Baltimore metropolitan area, or any successor index, for the 12 months preceding December 1 of each year requires the affirmative vote of **six** Council members.” The U.S. Department of Labor Bureau of Labor Statistics provides this data. The BLS calculates this index for every odd-numbered month, and the last index each calendar year is for November. In the 19 years starting in FY92, six affirmative votes were required 15 times because the budget increased more than inflation (©3, column J).

2) “Any aggregate operating budget that exceeds the spending affordability guidelines then in effect requires the affirmative vote of **seven** council members for approval.” In the 19 years starting in FY92, seven affirmative votes were required 12 times (©3 column K).

June 30 Tax Levy Section 305 of the Charter imposes **one** restriction on property taxes on existing real property: nine affirmative votes are required if the amount of property tax on existing real property exceeds the previous year's tax by more than the rate of inflation (seven affirmative votes until the voters increased the number to nine in November 2008 effective with the FY10 budget). The limit applies only to existing real property. “This limit does not apply to revenue from: (1) newly constructed property, (2) newly rezoned property, (3) property that, because of a change in state law, is assessed differently than it was assessed in the previous tax year, (4) property that has undergone a change in use, and (5) any development district tax used to fund capital improvement projects.” Finally, the limit does not apply to personal property. (Personal property generally includes furniture,

fixtures, office and industrial equipment, machinery, tools, supplies, inventory, and any other property not classified as real property.)

In the 19 years in which this Charter provision has been in effect, starting in FY92, seven/nine affirmative votes were required four times: in FY03-05 and FY09 (©2).

I. Ceiling on funding from property taxes This is one guideline the Council must set, as explained above.

Types of property and tax rates There are two types of property: real and personal. The tax rate on personal property is 2.5 times the tax rate on real property (rounded up to the nearest tenth of a cent, which is the nearest thousandth of a dollar). The County sets the following tax rates on real and personal property. Numbers 1-3 and 4a are Countywide, the rest are not.

1. General County tax
2. Mass Transit tax
3. Fire tax
4. Three taxes for MNCPPC:
 - a. Advance Land Acquisition tax
 - b. Metropolitan tax (for Parks)
 - c. Regional tax (for Planning)
5. Recreation tax
6. Storm Drainage tax
7. Three Urban District taxes
8. Two Noise Abatement District taxes
9. Four Parking Lot District taxes
10. Two Development District taxes, for the CIP. Since these taxes are for the CIP, they are not included in the following analysis.

Components of property tax Property tax in the next fiscal year has the following three components:

1. Property tax on REAL property that existed in the current year (“old” construction). This is the **only** component that is limited by the Charter
2. Property tax on REAL property that did not exist in the current year (“new” construction)
3. Property tax on PERSONAL property, both old and new

In this memorandum, TOTAL PROPERTY TAX is the sum of these three components. Of the total property tax, less than 1% is for the parking districts (to provide parking lots and garages and related expenses). The remainder is for all other government services.

Charter limit Section 305 of the Charter places a restriction, referred to as the “Charter limit”, only on component #1 above: if the property tax on REAL property that existed in the current year (the “old” construction) increases more than the rate of inflation, then the tax rates must be approved by all nine Councilmembers. There is no limit on the increase in personal property tax nor on the amount of tax on new construction. Inflation “...for the 12 months preceding December 1” is used to calculate the Charter limit for the upcoming fiscal year. The total amount of property tax at the Charter limit increases at the rate of inflation plus roughly 1% for new construction and personal property.

As noted above, for the 19 years in which the Charter restriction has been in effect, the table on ©2 shows that the Council exceeded the restriction in 4 years and did not exceed it in 15 years.

Current Rates Property tax at current rates increases at the same percentage as the assessable base increases (unless the Council approved a credit in the previous year, in which case the percentage increase is greater than the percentage increase in the assessable base). The Council sets 17 tax rates, for 17 tax districts. Finance calculates property tax at current rates by multiplying the tax rate in the current fiscal year in each district by the estimated assessable base next fiscal year in each district by the collection factor for each district, and then adding the 17 amounts.

Options to reach the Charter limit When the total amount of property tax at the Charter limit is less than property tax at current rates, there are numerous options for reducing property tax to the Charter limit (which applies only to the old real property). The Charter language requires at least two complex calculations that do **not** result in a single amount for the total property tax at the Charter limit. Rather, the total property tax at the Charter limit is one amount if the Charter limit is achieved entirely by credit and another amount if the Charter limit is achieved entirely by reducing the rate. The total property tax at the Charter limit can be any amount in between those amounts if the Charter limit is achieved by some combination of credit and rate reduction. Moreover, the total property tax at the Charter limit can also be any amount above the higher amount if the Charter limit is achieved by **increasing** the rate and giving a credit. The so-called “Charter limit” should be described as the Charter limits!

A more detailed explanation of the various options for reaching the Charter limit follows.

1. Entirely by reducing the rates. In this case, all property (old construction, new construction, and personal) gets a reduction and total property tax is the **least** of any option.
2. By keeping rates the same (current rates) and giving property tax credits only for old/existing owner-occupied principal residence housing. The following groups do **not** get any credit: new construction, commercial property (whether new or old), new and old personal property. Since rates are not reduced in this option, new construction and personal property pay more than they would pay under option 1, so the total property tax under option 2 is the **greatest** of any option. (The effects of the credit are to shift the tax burden: a) from residences with low taxable value to residences with high taxable value; and b) from residential to commercial tax payers.)
3. By both reducing the rates and by giving credits. Total property tax is in-between options 1 and 2.
4. By increasing the rates and by giving a credit that exceeds the increase resulting from increasing the rates.

The history of income tax offset credits is summarized in the table below.

INCOME TAX OFFSET CREDIT			
FY	Per household	Estimated # households	Total credit Millions
99	\$50	222,000	\$11.1
06	\$116	254,260	\$29.5
07	\$221	250,000	\$55.3
08	\$613	243,173	\$149.1
09	\$579	245,000	\$141.9
10	\$690	245,000	\$169.1

Maximum amount of credit State law specifies that the maximum is the amount of income tax resulting from a County income tax rate in excess of 2.6% of Maryland taxable income. The Council set this rate at 3.2%, the maximum the State permits.

Ceiling on funding from property taxes Based on comments from Councilmembers, Council staff assumes that the Council will set property tax rates that do not exceed the so-called Charter limit, and that the rates will not require nine affirmative votes.

II. Ceiling on the aggregate operating budget As noted above, on January 27, 2009, the Council approved a new method for calculating the ceiling on the aggregate operating budget, in which the FY10 ceiling is 5.9% of estimated personal income. The Council stated that it may revise this % in future years. With the old method, the ceiling was approximately 94% of projected resources.

Using this new method resulted in an aggregate operating budget which increased 4.9%, way more than available resources will permit, and not at all realistic in this fiscal climate. As an alternative method which provides results which are more realistic and easier to explain and to understand, the Council could permit the aggregate operating budget to increase at the same rate as personal income (Finance projects an increase of 2.0%), or at the same rate as the State's spending affordability committee permitted the State's budget to increase (0%). The results of this alternative method are on ©1, assuming no increase in the aggregate operating budget from FY10 to FY11.

The aggregate operating budget is then allocated to debt service, revenue funding for the capital budget, and operating expenses for the agencies as shown on ©1 and 1A.

III. Allocation of the aggregate operating budget

a) Debt Service Debt service is a fixed charge that must be paid before making the allocation of any resources to the four agencies. Long-term leases are included, since these payments are virtually

identical to debt. Debt service is in the County Government’s debt service fund and also in the budget for MNCPPC. The amount of debt service next year is based on the amount of debt currently outstanding and estimated to be issued.

b) Current Revenue Funding for the Capital Budget There are two types of current revenue funding for the capital budget.

i) The first type is funding for capital projects which do not meet the criteria for bond funding and must be funded with current revenue, or not funded at all. Council staff used the amount in the Executive’s January 15, 2010 Recommended FY11-16 CIP, \$25.0 million.

ii) The second type is referred to as “PAYGO from Current Revenue for Bond Offset” (pay as you go), and is funding for projects which are eligible for bond funding, but the Council has decided to use current revenues to decrease the need for bonds. The substitution of current revenues for bonds helps protect the AAA bond rating by reducing the need for bonds and also decreases the operating budget for debt service. The Council’s target is 10% of bond funding (\$325 million), which would be \$32.5 million. However, Council staff used the amount in the Executive’s Recommended FY11-16 CIP, \$2.0 million.

c) Agency Allocations (County Government, MCPS, Montgomery College, and MNCPPC). If an agency submits a budget that exceeds the allocation, Bill 28-08 requires each agency to submit by March 31 prioritized expenditure reductions to reach the allocation.

Two options for the agency allocations are:

1. MCPS gets the Superintendent’s recommended budget (including \$79.5 million the Council appropriated for debt service in FY10), the College increases at the same % as MCPS, and County Government and MNCPPC get the same % of the remainder in FY11 as in FY10 (which means each gets the same % decrease from FY10 to FY11). See ©1.
2. All agencies get the same % of the total agency allocations in FY11 as in FY10 (which means each gets the same % decrease from FY10 to FY11). See ©1A.

The table below compares the % change from FY10 to FY11 for the two options. **Which option (or some other) does the Committee wish to use for the public hearing?**

Agency	Option 1	Option 2
MCPS	+1.2%	-0.7%
College	+1.2%	-0.7%
County Government	-3.7%	-0.7%
MNCPPC	-3.7%	-0.7%

Overall Spending Target for Community Grants The Council's Grants Manager provided the following information.

Last year the County Council set an overall spending target for Community Grants as part of its actions establishing Spending Affordability Guidelines for the Fiscal Year 2010 Operating Budget. While the target is not binding, it assists the Council in budget planning. For FY10 the target set by the Council was \$2.5 million for Council Community Grants and \$2.5 million for Executive Community Grants. In May, 2009 the Council **approved \$1.8 million in Council Community Grants** that had gone through the Council's grants process and **\$2.5 million in Executive-recommended Community Grants**.

Does the Committee wish to recommend an overall amount for Community Grants for Fiscal Year 2011 and, if so, at what amount? Does the Committee wish to set an overall target for both Executive-recommended Community Grants and Council Community Grants or solely Council Community Grants?

An overall target of \$1.5 million for Council Grants for FY 2011 would be a 16.7% reduction from the amount approved by the Council for Council Grants in the FY10 and on a percentage basis, comparable to the FY11 overall tax-supported budget 'gap' between projected revenues and expenditures (somewhat less than 15% based on the November 30 Fiscal Plan). **A target of \$1.5 million for County Executive-recommended Grants would be a 40% reduction** from the amount recommended by the County Executive and approved by the Council in the FY10 budget.

Alternatively, the Committee could recommend a 15% reduction from the approved budget for both Council and Executive grants (\$1.53 million/Council and \$2.13 million/Executive) or just set a target for Council grants.

During last year's review of spending targets for Community Grants the Committee also noted the Council's decision to inform grant applicants that the Council is **particularly interested in proposals that provide emergency and other assistance to the neediest members of our community**. This priority is also noted in the FY11 Council Grant Application.

Proposed language for the Council Resolution on Spending Affordability Guidelines would state:

"The Council's intent is that \$3 million of the County Government's allocation will be appropriated for Community Grants (this amount excludes Community Service Grants), with Executive-recommended specific Community Grants totaling \$1.5 million and Council specific Community Grants totaling \$1.5 million."

Schedule

January 25	MFP
February 2	Public hearing
February 8	MFP
February 9	Council action

Contents:

©	Item
1	Council staff's calculations
2	History of property taxes
4	Historical comparisons of spending
6	Superintendent's Recommended FY11 budget
7	Resolution

	A	B	C	D	E
1	SPENDING AFFORDABILITY GUIDELINES FOR THE AGGREGATE OPERATING BUDGET				
2	\$millions				
3					
4	MCPS: FY10 includes double appropriation for debt service (79.537); FY11 is Superintendent's recommended budget				
5	College: FY11 has same % increase as MCPS				
6					
7	I. Calculation of the ceiling on the AOB			FY11	
8	Projected % increase in personal income of County residents in CY10 for FY11, Finance			+2.0%	
9	Projected growth in State's operating budget			+0.0%	
10	Council staff's suggested growth in the aggregate operating budget			+0.0%	
11					
12					
13					
14	II. Allocations	FY10 approved	% of agency total	FY11	% change
15	County Debt Service	246.5		274.9	11.5%
16	MNCPPC Debt Service	5.0		5.0	0.9%
17	Current revenue, specific projects	30.7		25.0	-18.7%
18	Current revenue, PAYGO	1.3		2.0	52.0%
19	Subtotal, non-agencies	283.5		306.9	8.2%
20					
21	MCPS	2,020.1	57.3%	2,044.5	1.2%
22	College, excluding expenditures funded by tuition	147.5	4.2%	149.2	1.2%
23	County Government	1,251.2	35.5%	1,205.5	-3.7%
24	MNCPPC	106.6	3.0%	102.8	-3.7%
25	Subtotal, agencies	3,525.4	100.0%	3,502.0	-0.7%
26	Aggregate Operating Budget	3,808.9		3,808.9	0.0%
27					3,808.9
28					
29	CG	1,251.2	92.1%	1,205.5	
30	MNCPPC	106.6	7.9%	102.8	
31	Total	1,357.8	100.0%	1,308.2	

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	A	B	C	D	E
1	SPENDING AFFORDABILITY GUIDELINES FOR THE AGGREGATE OPERATING BUDGET				
2	\$millions				
3					
4	MCPS: FY10 includes double appropriation for debt service (79.537)				
5	All agencies get same % change from FY10 to FY11				
6					
7					
8	I. Calculation of the ceiling on the AOB			FY11	
9	Projected % increase in personal income of County residents in CY10 for FY11, Finance			+2.0%	
10	Projected growth in State's operating budget			+0.0%	
11	Council staff's suggested growth in the aggregate operating budget			+0.0%	
12					
13					
14	II. Allocations	FY10 approved	% of agency total	FY11	% change
15	County Debt Service	246.5		274.9	11.5%
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19	Subtotal, non-agencies	283.5		306.9	8.2%
20					
21	MCPS	2,020.1	57.3%	2,006.7	-0.7%
22	College, excluding expenditures funded by tuition	147.5	4.2%	146.5	-0.7%
23	County Government	1,251.2	35.5%	1,242.9	-0.7%
24	MNCPPC	106.6	3.0%	105.9	-0.7%
25	Subtotal, agencies	3,525.4	100.0%	3,502.0	-0.7%
26	Aggregate Operating Budget	3,808.9		3,808.9	0.0%
27				3,808.9	
28					
29	CG	1,251.2	92.1%	1,242.9	
30	MNCPPC	106.6	7.9%	105.9	
31	Total	1,357.8	100.0%	1,348.8	

1A

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	COMPARISON OF SPENDING AFFORDABILITY GUIDELINE FOR AGGREGATE OPERATING BUDGET														
2	TO BUDGET APPROVED BY COUNCIL IN MAY (\$Million)														
3															
4	FY	Fall SAG	Exec. March	Oct +1%	Winter SAG	Exec. May	Council May	Infl. thru prev. Nov.	Max. w/o six votes	Need 6 votes?	Need 7 votes?	Vote	C - B	E - B	G - B
5	91	SAG started in FY 92					1,497.8								
6	92	None	1,481.3		1,478.0	1,482.0	1,488.2	6.1%	1,589.1	No	Yes	9-0			
7	93	1,548.4	1,524.7	1,563.9	1,548.4	1,532.8	1,528.7	3.0%	1,532.8	No	No	6-3	(23.7)	0.0	(19.7)
8	94	1,587.5	1,612.5	1,603.4	1,603.4		1,615.5	3.0%	1,574.6	Yes	Yes	9-0	25.0	15.9	28.0
9	95	1,662.2	1,727.8	1,678.8	1,678.8	1,734.9	1,712.7	2.7%	1,659.1	Yes	Yes	9-0	65.6	16.6	50.5
10	Charter amendment in Nov. 1994 excluded specific grants for all agencies, and tuition and tuition-related charges at the College,														
11	starting in FY 96.														
12	95	Excluding grants and tuition:					1,622.5	2.7%							
13	96	1,658.8	1,660.6	1,675.4	1,676.3	1,665.3	1,668.1	1.4%	1,645.2	Yes	No	9-0	1.8	17.5	9.3
14	97	1,705.4	1,694.7	1,722.5	1,700.3	1,694.6	1,693.2	1.4%	1,691.5	Yes	No	9-0	(10.7)	(5.1)	(12.2)
15	98	1,781.3	1,798.2	1,799.1	1,789.8	1,805.5	1,803.3	3.9%	1,759.2	Yes	Yes	9-0	16.9	8.5	22.0
16	99	1,886.5	1,924.6	1,905.4	1,905.4	1,928.0	1,941.3	0.4%	1,810.5	Yes	Yes	7-1	38.1	18.9	54.8
17	00	1,951.2	2,064.6	1,970.7	2,095.1	2,079.7	2,077.1	1.3%	1,966.5	Yes	No	9-0	113.4	143.9	125.9
18	01	2,238.3	2,295.2	Not Relevant	2,317.0	2,305.6	2,316.0	2.0%	2,118.6	Yes	No	9-0	56.9	78.7	77.7
19	01B	Delete WMATA aid.					2,251.7								
20	02	2,238.4	2,368.0	Not Relevant	2,368.9	2,368.0	2,372.3	3.2%	2,323.8	Yes	Yes	9-0	129.6	130.5	133.9
21	03	2,265.6	2,436.2	Not Relevant	2,440.7	2,447.7	2,471.2	2.6%	2,438.6	Yes	Yes	9-0	170.6	175.1	205.6
22	04	2,433.3	2,609.3	Not Relevant	2,493.7	2,602.3	2,629.3	2.4%	2,530.5	Yes	Yes	9-0	176.0	60.4	196.0
23	05	2,678.6	2,816.7	Not Relevant	2,816.7	2,823.2	2,842.7	2.8%	2,702.9	Yes	Yes	8-1MP	138.1	138.1	164.1
24	06	2,947.9	3,115.0	Not Relevant	2,947.9	3,117.0	3,061.5	2.8%	2,922.3	Yes	Yes	9-0	167.1	0.0	113.6
25	07	3,332.1	3,414.7	Not Relevant	3,412.2	3,388.7	3,402.4	4.0%	3,184.0	Yes	No	9-0	82.6	80.1	70.3
26	08	3,571.3	3,657.6	Not Relevant	3,656.1	3,654.0	3,661.0	3.6%	3,524.9	Yes	Yes	9-0	86.3	84.8	89.7
27	09	3,622.1	3,780.5	Not Relevant	3,622.1	3,777.6	3,772.0	3.6%	3,792.8	No	Yes	8-0	158.4	0.0	149.9
28	10		3,792.0		3,948.5		3,808.9	4.5%	3,941.7	No	No	8-1			
29	Number Yes									15	12				
30	Number No									4	7				

(W)

TOTAL APPROPRIATIONS APPROVED BY COUNCIL BY MAY 15/JUNE 1
EXCLUDES ENTERPRISE FUNDS (million)

A	B	C	D	E	F	G	H
FY	Operating Budget	Percent Change	Capital Budget	Percent Change	Total	Percent Change	% Chg in CPI
1987	986.2		26.9		1,013.2		
1988	1,063.6	7.8%	24.3	(9.6%)	1,088.0	7.4%	3.0%
1989	1,176.1	10.6%	42.8	75.8%	1,218.9	12.0%	3.6%
1990	1,323.6	12.5%	69.1	61.5%	1,392.7	14.3%	4.2%
1991	1,459.0	10.2%	59.6	(13.8%)	1,518.5	9.0%	5.7%
1992	1,466.5	0.5%	23.4	(60.8%)	1,489.9	(1.9%)	5.9%
1993	1,506.8	2.8%	21.9	(6.3%)	1,528.7	2.6%	4.2%
1994	1,587.9	5.4%	27.9	27.5%	1,615.9	5.7%	2.5%
1995 A	1,673.9	5.4%	38.7	38.6%	1,712.7	6.0%	3.1%
1995 B	1,611.1	NA	38.7	NA	1,649.8	NA	NA
1996	1,665.1	3.4%	31.8	(17.8%)	1,697.0	2.9%	1.9%
1997	1,698.5	2.0%	24.9	(21.8%)	1,723.4	1.6%	2.0%
1998	1,806.8	6.4%	25.4	1.9%	1,832.2	6.3%	2.8%
1999	1,934.2	7.1%	39.8	57.0%	1,974.1	7.7%	1.8%
2000	2,057.4	6.4%	54.3	36.2%	2,111.6	7.0%	1.3%
2001 A	2,242.8	9.0%	112.0	106.4%	2,354.8	11.5%	2.1%
2001 B	2,178.5		112.0		2,290.5	8.5%	2.1%
2002	2,330.9	7.0%	81.8	(27.0%)	2,412.6	5.3%	3.3%
2003	2,468.4	5.9%	48.1	(41.2%)	2,516.4	4.3%	2.6%
2004	2,645.0	7.2%	34.9	(27.4%)	2,679.9	6.5%	2.4%
2005	2,858.3	8.1%	36.6	5.0%	2,895.0	8.0%	2.8%
2006	3,097.0	8.3%	21.0	(42.7%)	3,118.0	7.7%	2.8%
2007	3,399.6	9.8%	61.4	192.2%	3,461.0	11.0%	4.0%
2008	3,652.8	7.4%	70.0	14.1%	3,722.8	7.6%	3.6%
2009	3,787.8	3.7%	51.7	(26.2%)	3,839.5	3.1%	3.6%
2010	3,846.9	1.6%	32.1	(38.0%)	3,879.0	1.0%	4.5%
Average % change						6.5%	3.2%

See next page for notes.

NOTES:

In accordance with the Charter, CPI is for the calendar year preceding the start of the fiscal year:

CPI for CY2008 applies to FY2010.

FY 94: The State forced the County to pay Social Security costs for teachers, College faculty, and librarians, \$28.8 million in FY 94.

FY 96: Specific grants were excluded, in accordance with the Charter amendment in November 1994. The data in FY 95 A above include such grants (\$62.8 million in FY 95) and the data in FY 95 B exclude such grants, for comparability with FY 94 and FY 96, respectively.

FY 97: Transferred Permitting Services from General Fund to Enterprise Fund, \$11.8 million in FY 97.

FY 98: Transferred Social Service functions from State, \$27 million in FY 98.

FY 01: State aid that goes directly to WMATA no longer included, \$64.267 million in FY 01. Data in FY 01A includes this aid and the data in FY 01B excludes this aid.

Source: Council staff's Schedule of Revenues and Appropriations, prepared after Council approves budget each year.

TABLE 2
BUDGET REVENUE BY SOURCE

Superintendent's
Recommended Budget
FY11

SOURCE	FY 2009 ACTUAL	FY 2010 BUDGET	FY 2010 CURRENT	FY 2011 ESTIMATED
Real Estate Management Fund:				
Rental fees	2,397,720	2,651,095	3,001,095	3,074,719
Total Real Estate Management Fund	2,397,720	2,651,095	3,001,095	3,074,719
Field Trip Fund:				
Fees	1,578,741	2,314,716	2,314,716	2,369,952
Total Field Trip Fund	1,578,741	2,314,716	2,314,716	2,369,952
Entrepreneurial Activities Fund:				
Fees	1,872,573	1,774,100	1,774,100	2,232,614
Total Entrepreneurial Activities Fund	1,872,573	1,774,100	1,774,100	2,232,614
Total Enterprise Funds	47,494,202	54,561,883	54,911,883	55,040,286
Instructional Television Special Revenue Fund:				
Cable Television Plan	1,582,830	1,581,510	1,581,510	1,619,507
Total Instructional Special Revenue Fund	1,582,830	1,581,510	1,581,510	1,619,507
GRAND TOTAL	\$2,087,305,895	\$2,200,577,000	\$2,200,927,000	\$2,226,134,843

Tax - Supported Budget	FY 2009 ACTUAL	FY 2010 BUDGET	FY 2010 CURRENT	FY 2011 ESTIMATED
Grand Total	\$2,087,305,895	\$2,200,577,000	\$2,200,927,000	\$2,226,134,843
Less:				
Grants	(76,038,166)	(124,355,344)	(126,353,366)	(124,960,755)
Enterprise Funds	(47,494,202)	(54,561,883)	(54,911,883)	(55,040,286)
Special Revenue Fund	(1,582,830)	(1,581,510)	(1,581,510)	(1,619,507)
Grand Total - Tax-Supported Budget	\$1,962,190,697	\$2,020,078,263	\$2,018,080,241	\$2,044,514,295

(1) Includes \$9.7 million in FY 2010 savings

The Adult Education Fund was created July 1, 1991, but was discontinued effective July 1, 2006, because the program was transferred to Montgomery College and the Montgomery County Department of Recreation. The Real Estate Management Fund was created July 1, 1992. The Field Trip Fund was created effective July 1, 1993. The Entrepreneurial Activities Fund was created effective July 1, 1998. The Instructional Television Special Revenue Fund was created July 1, 2000.

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Resolution No:

Introduced:

Adopted:

February 2, 2010

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: County Council

Subject: Spending Affordability Guidelines for the FY11 Operating Budget

Background

1. Section 305 of the Charter and Chapter 20 of the Montgomery County Code require the Council to set spending affordability guidelines for the operating budget for the next fiscal year.
2. The guidelines must specify:
 - a) A ceiling on property tax revenues, which are used to fund the aggregate operating budget.
 - b) A ceiling on the aggregate operating budget. The aggregate operating budget is the total appropriation from current operating revenues, including appropriations for capital projects but excluding appropriations for: enterprise funds, the Washington Suburban Sanitary Commission, specific grants for which the spending is contingent on the grants, and expenditures equal to the estimated tuition and tuition-related charges at Montgomery College.
 - c) The spending allocations for the County Government, the Board of Education, Montgomery College, the Maryland-National Capital Park and Planning Commission, debt service and current revenue funding of capital projects. As noted above, the College's allocation excludes expenditures equal to the estimated tuition and tuition-related charges.
3. The legislation lists a number of economic and financial factors to be considered in adopting the guidelines, requires a public hearing before the Council adopts guidelines, and requires that the Council adopt guidelines no later than the second Tuesday in February for the fiscal year starting the following July 1.

4. At the public hearing on February 2, 2010, the public had the opportunity to comment on the following guidelines.

a) The amount of property tax revenue will not exceed the amount calculated in accordance with §305 of the Charter that would require nine affirmative votes.

b) The ceiling on the aggregate operating budget and the agency allocations:

	\$ million
MCPS	
Montgomery College	
County Government	
MNCPPC	
County Debt Service	
MNCPPC Debt Service	
Current Revenue, PAYGO	
Current Revenue, specific projects	
AGGREGATE OPERATING BUDGET	

Action

The County Council for Montgomery County approves the following resolution:

1. The spending affordability guidelines for the FY11 Operating Budget are:

a) The amount of property tax revenue will not exceed the amount calculated in accordance with §305 of the Charter that would require nine affirmative votes.

b. The ceiling on the aggregate operating budget and the agency spending allocations in **millions** of dollars are:

MCPS	
Montgomery College	
County Government	
MNCPPC	
County Debt Service	
MNCPPC Debt Service	
Current Revenue, PAYGO	
Current Revenue, other	
AGGREGATE OPERATING BUDGET	

Resolution No: _____

2. The Council's intent is that \$3 million of the County Government's allocation will be appropriated for Community Grants (this amount excludes Community Service Grants), with Executive-recommended specific Community Grants totaling \$1.5 million and Council specific Community Grants totaling \$1.5 million.

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council