

GO Committee #3
April 15, 2013

MEMORANDUM

April 11, 2013

TO: Government Operations and Fiscal Policy Committee

FROM: Jacob Sesker, Senior Legislative Analyst 

SUBJECT: FY14 Operating Budget: NDAs— Leases, Future Federal/State/Other Grants, Grants to Municipalities in Lieu of Shares Tax, Takoma Park Police Rebate, Municipal Tax Duplication

Those expected to attend this worksession include:

- Cynthia Brenneman, Department of General Services
- Alex Espinosa, Office of Management and Budget
- Bruce Meier, Office of Management and Budget
- Jennifer Bryant, Office of Management and Budget
- Erika Lopez-Finn, Office of Management and Budget
- Matt Schaeffer, Office of Management and Budget

See pages 66-1 to 66-16 of the FY14 Recommended Operating Budget.

Summary of Council Staff Recommendations

Approve.

Overview

This memorandum addresses several non-departmental accounts: future federal/state/other grants; leases; grants to municipalities in lieu of shares tax; Takoma Park Police Rebate; and Municipal Tax Duplication.

Leases (pages 66-10 to 66-11)

The Executive requests \$23,312,404 for this NDA in FY14, a decline of \$338,116 from the FY13 Approved Budget of \$23,650,520. The Department of General Services (Division of Real Estate) administers leases and use of leased space by the County, as well as County leases to non-government entities that lease County-owned space from the County. Currently there are approximately 73 leased facilities, down from approximately 90 at this time last year. The inventory of leases is constantly shifting as new leases are added and existing leases are terminated.

Change	Expenditure	FTE
FY13 Approved	23,650,520	0.00
Increase cost: Adjustment for fixed leases	132,054	0.00
Decrease cost: Lease savings	(470,170)	0.00
FY 14 CE Recommended	23,312,404	0.00

Future Federal/State/Other Grants (page 66-8)

The Executive requests \$20 million for this NDA in FY14, which represents no change from the FY13 Approved Budget.

This account is funded entirely from non-County sources. Having this account permits the County Government to accept and spend funds from grants without requesting a supplemental appropriation for many such grants, saving both time and paperwork.

The appropriation can only be spent if grants are received. If the County receives less than the appropriated amount, then no harm is done. If the County receives more, then the Council will have to process a supplemental appropriation.

Recommendation: Approve.

Grants to Municipalities in Lieu of Shares Tax (page 66-8)

The Executive requests \$28,020 in FY14, no change relative to the FY13 Approved Budget. This NDA funds payments required in accordance with State law.

Recommendation: Approve.

Takoma Park Police Rebate (page 66-16)

The Executive requests \$916,860 in FY13, a decrease of \$33,565 compared to the FY13 Approved Budget of \$949,860. The payment is based on a formula, which uses \$0.048 per \$100 of assessable base tax rate with full value assessment levied on real property.

Recommendation: Approve.

Municipal Tax Duplication (page 66-12 to 66-13)

The Executive requests \$8,149,310 in FY13, a decrease of \$24,850 when compared to the FY13 Approved Budget amount of \$8,174,160. That decline is entirely attributable to a decline in speed camera revenue allocation, which declined from \$397,440 in FY13 to \$372,590 in the FY14 Recommended Budget. With respect to non-speed camera revenues, the Executive recommended that each municipality should receive an amount in FY14 that is equal to the amount that municipality received in the FY13 approved budget. This Committee most recently discussed this program on November 5, 2012.

Most of the General Fund property tax that municipal taxpayers pay to the County is used to fund services the County provides to municipal and non-municipal taxpayers alike. A small portion of the General Fund property tax revenue that the County receives is County property tax paid by municipal taxpayers for services that the taxpayers actually receive from the municipality—this is the duplicated tax portion.

The County makes tax duplication payments each year to municipalities in order to achieve tax fairness between municipal and non-municipal taxpayers. Municipal taxpayers pay one tax (property tax) to two different governments, while receiving the services funded with those revenues from only one of those governments; however, municipal residents also receive services from two different governments. The Office of Legislative Oversight is currently undertaking a study of the program in order to better understand whether either municipal or non-municipal taxpayers are being treated unfairly by the current system and to review alternatives to the current system.

In FY14, as was the case in FY13, the Municipal Tax Duplication budget bifurcated the recommended expenditure into one portion attributable to tax duplication and a second portion of the expenditure which was not (grants to reimburse municipalities for service costs). In FY14, as in FY13, Takoma Park received the largest portion of both the tax duplication payments and the grant payments. In the case of tax duplication, Takoma Park receives a large share because Takoma Park is the only municipality that is eligible to receive a reimbursement for municipal police services.

The City of Takoma Park submitted testimony at the Council's public hearing. Takoma Park indicated that assessments in the City of Takoma Park declined last year, resulting in a necessary increase in the City's constant yield tax rate. Since the entire City was reassessed this last year, the assessable base is unlikely to change much during the remainder of the triennial

cycle. Takoma Park expressed frustration with having to base a budget on year-to-year County appropriation decisions. *See Takoma Park Testimony, © 1-3.*

Staff notes that making FY14 payments to municipalities on the basis of the FY13 appropriations does not create a close connection between the amount of the duplicated tax, or between the payments and the cost of reimbursable services.

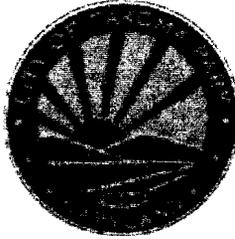
Recommendation: Approve.

Issues to Pursue After Budget Season

The Office of Legislative Oversight will soon be finalizing its report on the County's Municipal Tax Duplication program. It is likely that changes to the program will emerge from that report. Those changes could take the form of resolutions that change or update calculation formulas and assumptions, or legislation that changes the legal framework of the program.

Attachments: © 1 Takoma Park Testimony

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**FY 2013 Montgomery County Operating Budget
Testimony of the City of Takoma Park
Bruce R. Williams, Mayor
April 9, 2013**

Good evening, President Navarro and Members of the Council,

I am Bruce Williams, Mayor of Takoma Park, speaking on behalf of the City of Takoma Park.

Last night, the Maryland General Assembly closed its highly productive 2013 Legislative Session. Takoma Park was particularly relieved to see that the Maryland Transportation Infrastructure Investment Act was adopted during the Session, meaning the Purple Line is much closer to reality.

What that means for Takoma Park is that our long term economic health is likely to be good. That is critical, because our current economic situation is just so-so.

For the first time in many years, the City's Constant Yield Tax Rate increased due to a decline in the value of real property in Takoma Park. Our real property tax rate would need to be increased by 2.2 cents this year just to bring in the same amount of property tax revenue we received last year. Because all of Takoma Park's properties were just reassessed, our revenue is likely to be stagnant until 2016 when the next assessment is completed even if the region's health improves in the next couple of years.

We depend heavily on property tax revenue in part because Montgomery County has not been providing the Municipal Tax Duplication payments

owed us. We are waiting to see the results of the Office of Legislative Oversight report on Municipal Tax Duplication and look forward to discussions with the GO Committee. We thank you – thank you – for your help in securing additional tax duplication funds the past two years. We ask again for your help in encouraging the County Executive’s staff to come back to the negotiating table with Takoma Park regarding the Municipal Tax Duplication formula for police services.

The County Executive is pleased that the Municipal Tax Duplication amount identified in his proposed budget for municipalities is the same as last year. However, he stated in his letter to the municipalities that “I must again consider this a one-time increase.” First, it’s not an increase. Second, a municipality cannot base a budget on one-time appropriations, especially when agreements are in place and should be honored until they are changed.

The City of Takoma Park urges that resolution of this matter be expedited and that municipal residents be treated fairly.

Another area that we ask for Montgomery County’s help is in economic development. With the Purple Line on the way, the Takoma-Langley Crossroads Sector Plan in place, and the Long Branch Sector Plan nearly completed, we now need to get our strip shopping centers renovated and our streetscapes improved. Montgomery County’s economic development staff should be taking the lead on this. These investments will help all of us and Montgomery County has the resources that we do not.

Our two requests are as follows:

- 1) The development impact fee waiver for projects within a half mile of a Metrorail station should be applied, starting now, to Purple Line station locations to help spur renovation efforts. The waiver should also be applied to the area in Montgomery County within a half mile of the Takoma Metrorail station even though the station proper is in Washington, D. C. Having the impact fee waiver in both areas would be very helpful to Takoma Park’s economic development efforts.

- 2) Montgomery County's Department of Economic Development should assign staff to work in the County's smaller commercial areas and not just focus on huge office complexes. The City needs assistance in implementing the planned economic development efforts for the Takoma-Langley and Long Branch areas, as well as the New Hampshire Avenue corridor. And, our businesses need help in taking advantage of the new opportunities. We understand there is a new staff person in the Department of Economic Development tasked with helping smaller business owners get County contracts, but that is not what most business owners in our area need. We ask that you urge the Economic Development Department to focus on the real economic development needs of small businesses in our corner of the County.

In sum, we are looking forward to taking advantage of the opportunities the Purple Line will bring to our community. We look forward to working closely with Montgomery County in this effort.

And, while we are waiting for the tax dollars to roll in from the Purple Line, we ask that Montgomery County return the County tax dollars – not just property tax dollars – our residents pay for services they only receive from Takoma Park.

Thank you.