

AGENDA ITEM #1.5  
February 23, 2010

**Addendum**

# *Overview of Montgomery County's Budget and Revenue Outlook*

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Montgomery County Council Briefing  
February 23, 2010



# ***THE BUDGET PROBLEM***

## Fiscal Plan Update December 2009 Tax Supported Fiscal Plan Summary

(\$ in Millions)

	App. FY10	Est. FY10	% Chg. FY10-11	Rec. FY11	Projected FY12	Projected FY13	Projected FY14	Projected FY15	Projected FY16
	5-21-09	12-1-09	Rec/Bud	12-1-09					
<b>Total Resources</b>									
Revenues	3,804.9	3,700.1	-2.7%	3,703.3	3,847.3	4,000.3	4,176.9	4,386.3	4,570.4
Beginning Reserves Undesignated	115.5	103.6	-127.4%	(31.6)	101.1	117.7	127.9	139.1	152.4
Beginning Reserves Designated	-	-	0.0%	-	-	-	-	-	-
Net Transfers In (Out)	37.2	37.1	-79.4%	7.7	7.9	8.1	8.4	8.6	9.0
<b>Total Resources Available</b>	<b>3,957.7</b>	<b>3,840.8</b>	<b>-7.0%</b>	<b>3,679.3</b>	<b>3,956.3</b>	<b>4,126.2</b>	<b>4,313.2</b>	<b>4,534.1</b>	<b>4,731.8</b>
<b>Less Other Uses of Resources (Capital, Debt Service, Reserve)</b>	<b>362.2</b>	<b>269.5</b>	<b>25.1%</b>	<b>453.1</b>	<b>507.3</b>	<b>548.6</b>	<b>598.0</b>	<b>620.5</b>	<b>632.4</b>
<b>Available to Allocate to Agencies</b>	<b>3,595.4</b>	<b>3,571.3</b>	<b>-10.3%</b>	<b>3,226.2</b>	<b>3,449.1</b>	<b>3,577.6</b>	<b>3,715.2</b>	<b>3,913.5</b>	<b>4,099.4</b>
<b>Agency Uses</b>									
Montgomery County Public Schools (MCPS)	2,020.1	2,010.2	3.6%	2,092.2	2,174.8	2,262.0	2,352.5	2,445.2	2,530.0
Montgomery College (MC)	217.5	216.5	7.5%	233.9	251.6	270.6	291.0	312.8	336.1
MNCPPC (w/o Debt Service)	106.6	104.5	3.4%	110.2	114.6	119.0	123.4	127.8	131.5
MCG	1,251.2	1,240.2	6.6%	1,333.6	1,427.1	1,526.1	1,631.6	1,742.9	1,853.8
<b>Subtotal Agency Uses</b>	<b>3,595.4</b>	<b>3,571.3</b>	<b>4.9%</b>	<b>3,769.9</b>	<b>3,968.1</b>	<b>4,177.7</b>	<b>4,398.5</b>	<b>4,628.7</b>	<b>4,851.4</b>
<b>Retiree Health Insurance Pre-Funding</b>									
Montgomery County Public Schools (MCPS)				30.9					
Montgomery College (MC)				0.8					
MNCPPC (w/o Debt Service)				3.6					
MCG				29.2					
<b>Subtotal Retiree Health Insurance Pre-Funding</b>				<b>64.5</b>					
<b>Subtotal Other Uses of Resources (Capital, Debt Service, Reserve)</b>	<b>362.2</b>	<b>269.5</b>	<b>25.1%</b>	<b>453.1</b>	<b>507.3</b>	<b>548.6</b>	<b>598.0</b>	<b>620.5</b>	<b>632.4</b>
<b>Total Uses</b>	<b>3,957.7</b>	<b>3,840.8</b>	<b>8.3%</b>	<b>4,287.6</b>	<b>4,475.4</b>	<b>4,726.4</b>	<b>4,996.5</b>	<b>5,249.2</b>	<b>5,483.8</b>
<b>(Gap)/ Available</b>	<b>-</b>	<b>-</b>		<b>(608.3)</b>	<b>(519.1)</b>	<b>(600.2)</b>	<b>(683.3)</b>	<b>(715.2)</b>	<b>(752.0)</b>

**Notes:**

1. FY11-15 property tax revenues are at the Charter Limit.
2. Projected agency spending is based on Major Known Commitments including compensation.
3. Retiree health insurance pre-funding is assumed at the scheduled FY11 amounts.
4. Reserves are restored to the policy level of 6% of total resources in FY11.
5. PAYGO is restored to the policy level of 10% of the planned bond issue in FY11.

(31.8) Non-K-12 State Aid Reduction  
(41.6) Less FFP & Speed Camera Rev  
(25.0) Addl Snow Removal Costs  
(54.9) February Revenue Write-down  
**(761.5) New FY11 Gap**

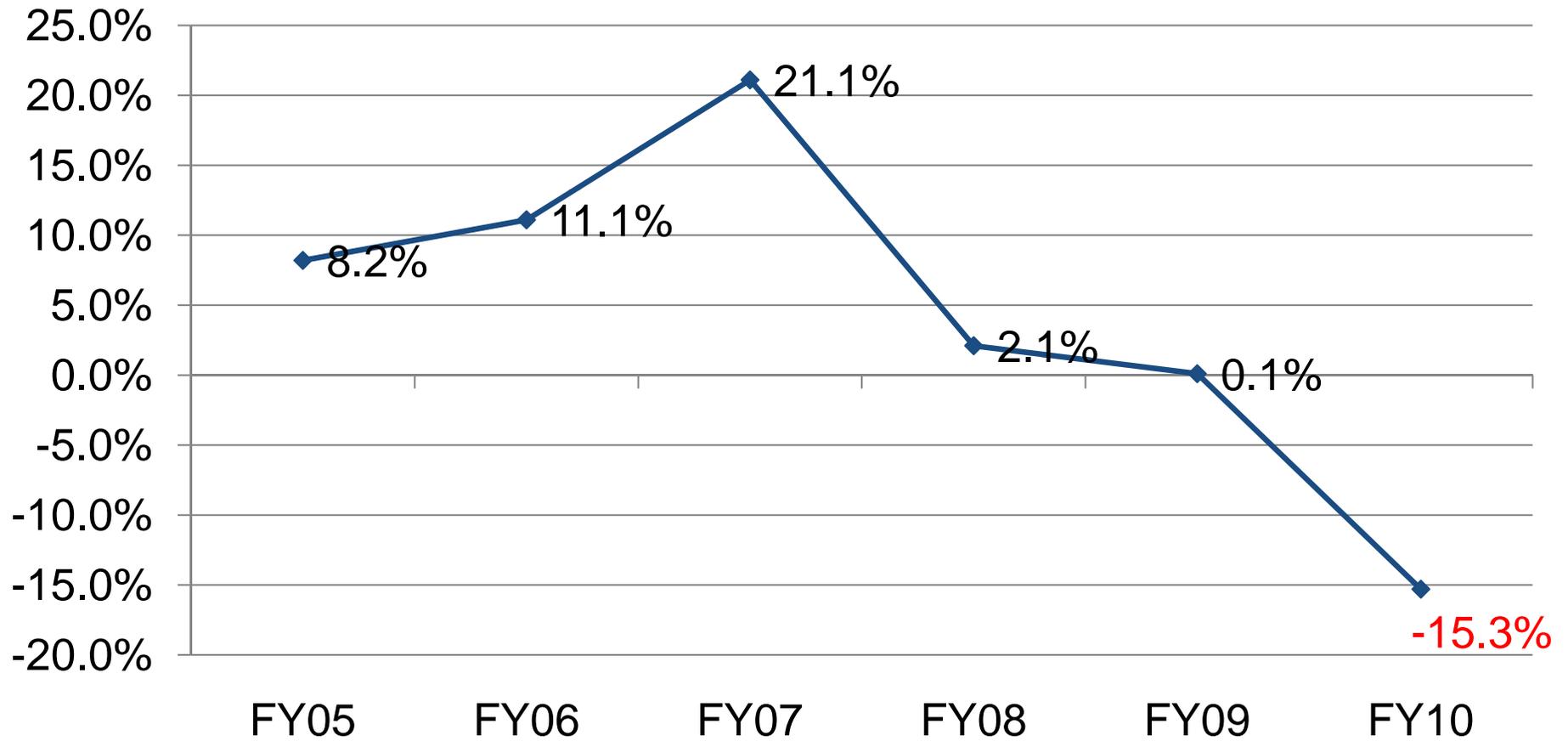


# ***WHAT HAPPENED?***

# Revenue Changes for FYs 10 and 11

<b>CATEGORIES</b>	<b>TOTAL CHG FY10+FY11 (\$ in mils)</b>	
<b>TAXES</b>		
Property Tax (less PDs)	(46.9)	
Income Tax	(239.1)	←
Transfer/Recordation Tax	(0.8)	
Other Taxes	(11.4)	
<b>Total Local Taxes</b>	<b>(298.2)</b>	
<b>Non K-12 State Aid</b>		
Highway User	(30.2)	
Other State Aid	(13.7)	
<b>Subtotal Non K-12</b>	<b>(43.9)</b>	
<b>K-12 State Aid</b>	<b>44.0</b>	
<b>Fees and Fines</b>	<b>(21.6)</b>	
<b>Investment Income &amp; Misc.</b>	<b>(6.5)</b>	
<b>TOTAL REVENUES</b>	<b>(326.2)</b>	

# Montgomery County Income Tax Revenue Annual Rate of Growth



FYs 05-07 = 40.3%

FYs 08-10 = -13.2%

# Montgomery County

## Number of Returns: 2007-2008 Tax Return Comparison

### 2007-2008 Comparison, Montgomery County only

Range of Taxable Income	Number of Returns		Change	%Change
	2007	2008		
<b>\$1 - 1,000</b>	6,656	4,048	(2,608)	-39%
<b>\$1,001 - 2,000</b>	6,803	4,539	(2,264)	-33%
<b>\$2,001 - 3,000</b>	6,801	4,872	(1,929)	-28%
<b>\$3,001 - 150,000</b>	340,530	335,814	(4,716)	-1%
<b>\$150,001 - 300,000</b>	18,661	18,995	334	2%
<b>\$300,001 - 500,000</b>	5,253	4,933	(320)	-6%
<b>\$500,001 - \$1,000,000</b>	4,737	4,217	(520)	-11%
<b>\$1,000,001 or more</b>	3,172	2,321	(851)	-27%
<b>Total</b>	<b>392,613</b>	<b>379,739</b>	<b>(12,874)</b>	<b>-3%</b>

In both number of returns and net taxable income, there was a decrease in every category except for \$150,000-\$300,000.

Source: Maryland Office of the Comptroller, Bureau of Revenue Estimates

\*CountyStat received updated tax return data on 1/15/2010; these slides reflect those figures.

# Montgomery County

## Net Taxable Income: 2007-2008 Tax Return Comparison

### 2007-2008 Comparison, Montgomery County only

Range of Taxable Income	Net Taxable Income		Change	%Change
	2007	2008		
<b>\$1 - 1,000</b>	\$5,242,542	\$2,156,741	(3,085,801)	-59%
<b>\$1,001 - 2,000</b>	\$15,454,542	\$6,788,395	(8,666,147)	-56%
<b>\$2,001 - 3,000</b>	\$24,462,619	\$12,171,670	(12,290,949)	-50%
<b>\$3,001 - 150,000</b>	\$17,688,803,084	\$17,307,287,601	(381,515,483)	-2%
<b>\$150,001 - 300,000</b>	\$4,583,476,473	\$4,669,495,527	86,019,054	2%
<b>\$300,001 - 500,000</b>	\$2,149,744,636	\$2,018,594,698	(131,149,938)	-6%
<b>\$500,001 - \$1,000,000</b>	\$3,254,721,956	\$2,870,497,029	(384,224,927)	-12%
<b>\$1,000,001 or more</b>	\$9,755,275,833	\$5,989,456,954	(3,765,818,879)	-39%
<b>Total</b>	<b>\$37,477,181,685</b>	<b>\$32,876,448,615</b>	<b>(4,600,733,070)</b>	<b>-12%</b>

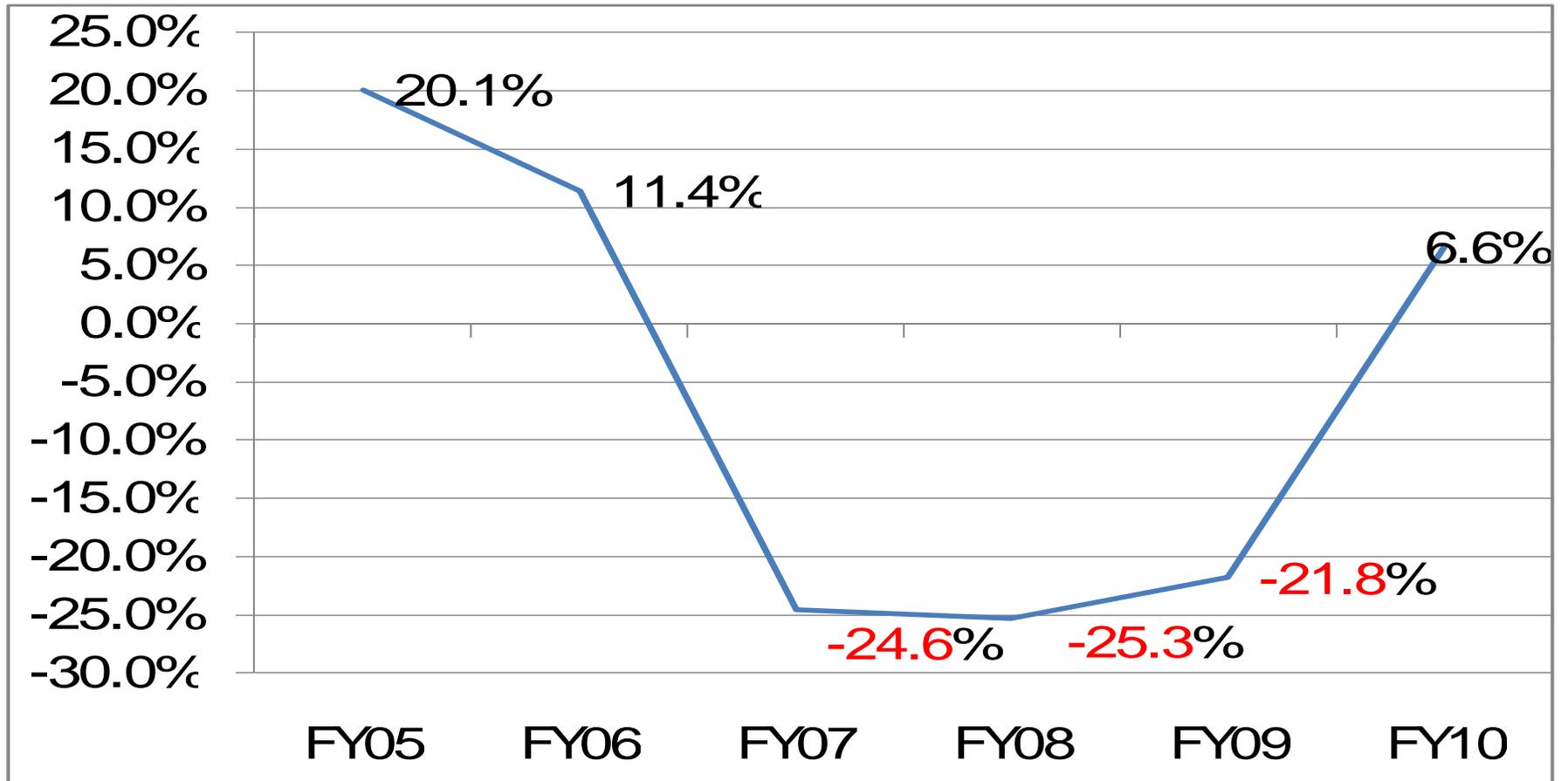
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Equates to \$150 mil. in  
Income Tax Revenue

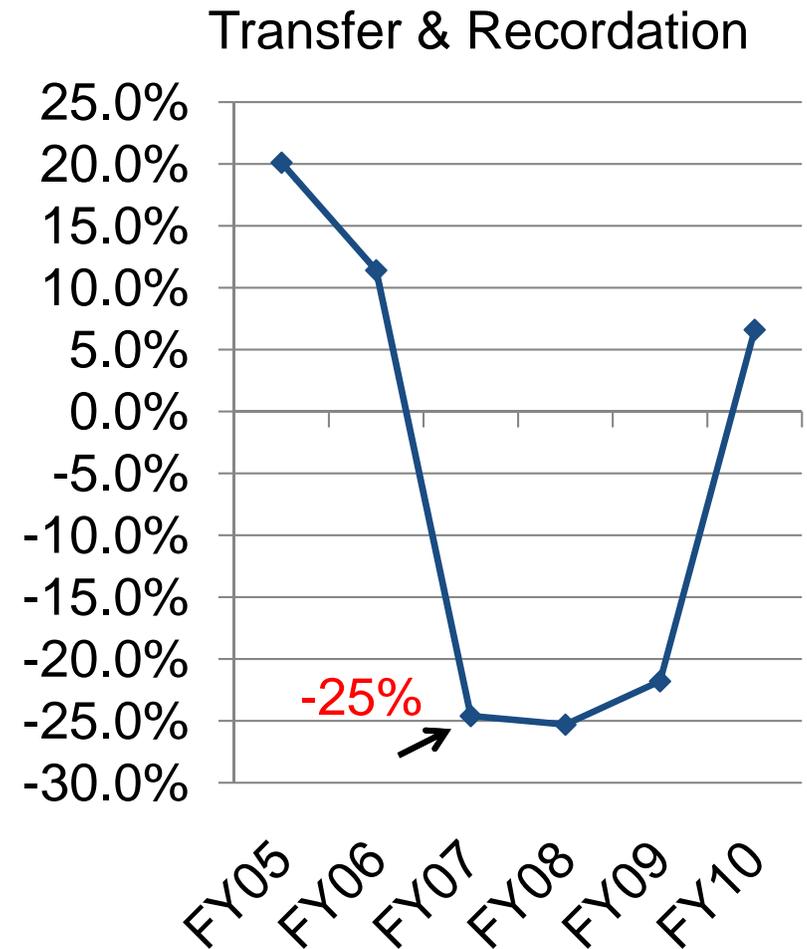
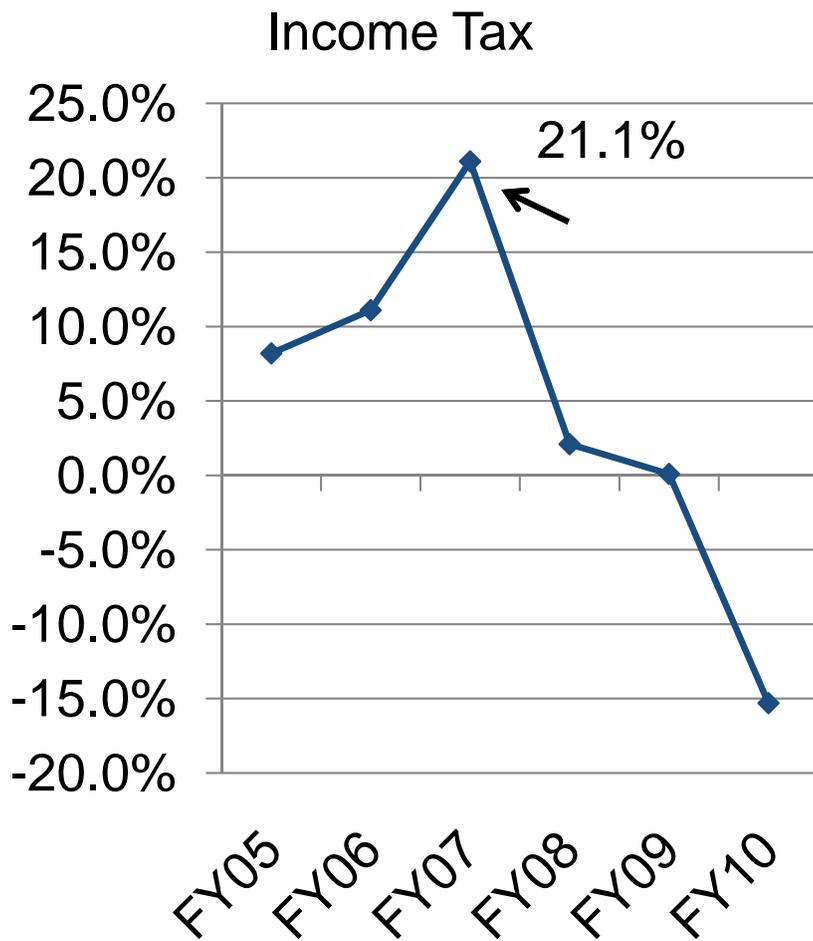
# Montgomery County Transfer & Recordation Tax Annual Rate of Growth



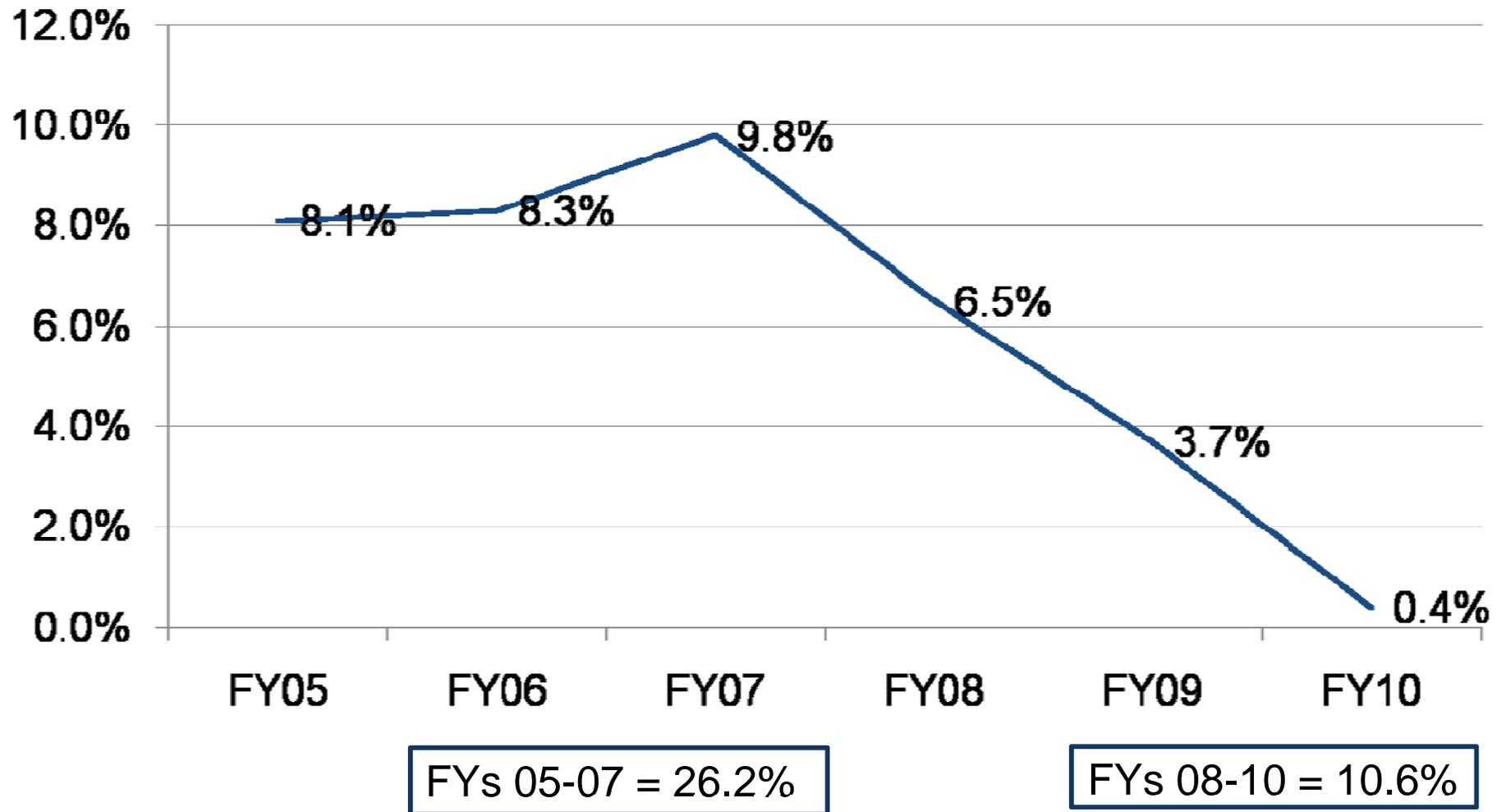
Fys 05-07 = 6.9%

Fys 08-10 = -41%

*Income tax growth in FY07 masks impact of the beginning of the housing market meltdown on transfer and recordation tax receipts*

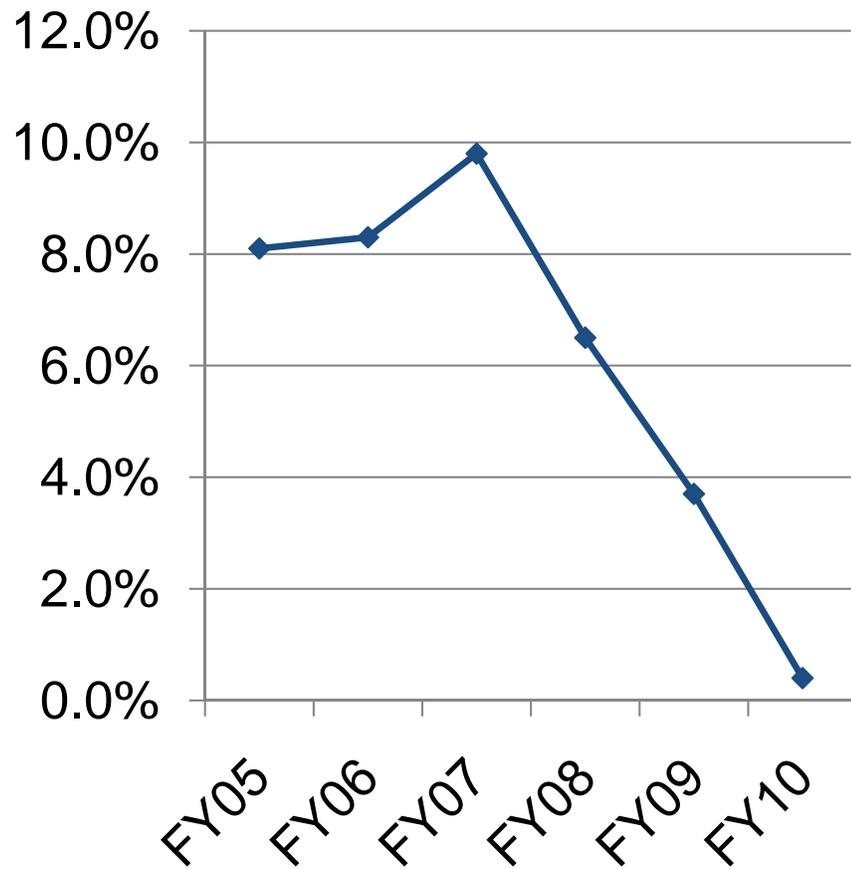


# Montgomery County Total Budget Growth Annual Rate of Growth

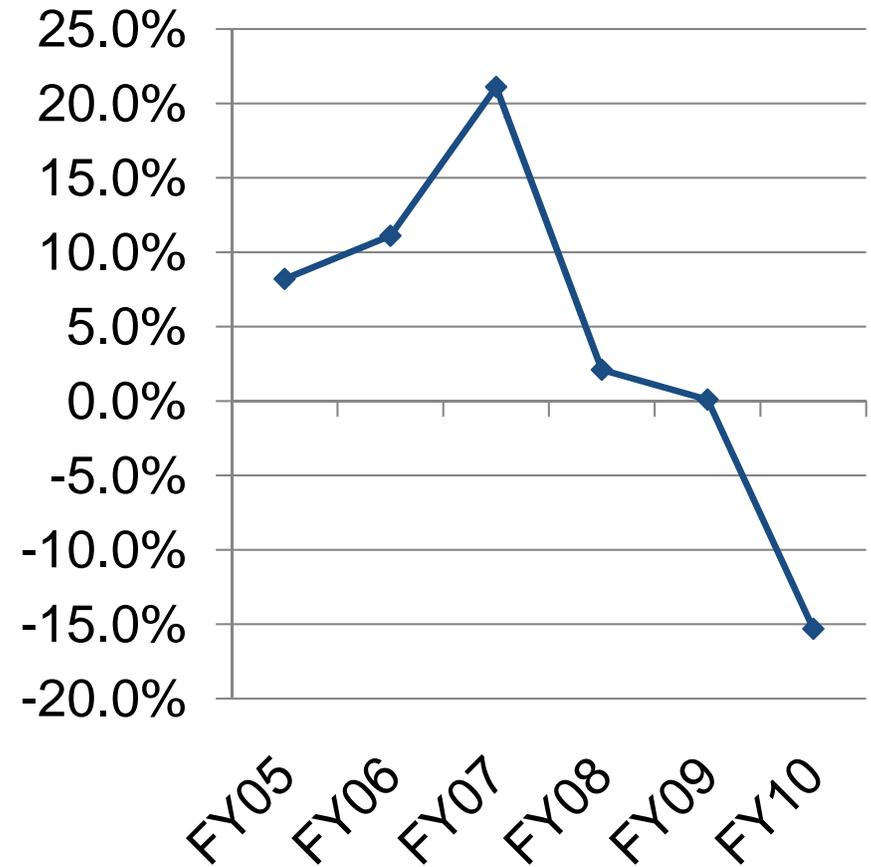


# Budget Growth Compared to Income Tax Growth

## Budget



## Income Tax



# ***Actions Taken to Date***

- **Hiring Freeze effective January 3, 2008**
- **Procurement Freeze effective December 1, 2009**
- **Liquidation of selected outstanding contracts**
- **FY10 Savings Plan: Identified savings of \$30 million:**
- **Second FY10 Savings Plan anticipated to save \$70 million**
  - County Government: \$57.4 M
  - Public Schools: \$31.9 M.
  - Montgomery College: \$4.6 M.
  - MNCPPC: \$5.9 M.
- **FY11 Reduction Targets for Montgomery County Departments**
  - Non Public Safety: 20%
  - Public Safety/HHS/Transit: 7%

## County Executive potential options/considerations to address the gap

Revised Gap 2-23-09	(761.5)	
<b>Adjust Agency Requests FY11</b>		
MCPS (Supt) at MOE	44.9	Lower relative to estimate of Major Know Commitments 12-1-09
Additional state aid for MCPS	43.0	Higher relative to 12-1-09 estimates
Montgomery College	10.9	Lower relative to estimate of Major Know Commitments 12-1-09
MNCPPC	(1.9)	Higher relative to estimate of Major Know Commitments 12-1-09
<b>Considerations</b>		
FY 10 Savings Plan Round II	70.1	
FY 11 Recommended CIP Cuts	41.6	PAYGO, Current Rev, Recordation Tax Redirect
Keep reserve target at 5%	36.8	
Property Tax at Charter limit with credit	10.3	Reduced from previous estimate due to revised assessable base
FY 11 Debt Service savings	14.9	From refunding and other savings
Additional Liquor Transfer	4.0	
Defer FY 11 Retire Health Payment(OPEB)	33.6	includes County Govt, College, Park and Planning -- not MCPS because of assumption at MOE level
<b>Further Options</b>		
Potential adjustments to employee GWAs	38.5	includes County Govt, College, Park and Planning -- not MCPS MOE
Make additional cuts to County Govt	100.0	On top of savings plan. Assumes all but \$17 M in MARC cuts approved.
Gap after adjusting for requests, considerations, and further options	(314.8)	

*Any reasonable adjustment to these items will still leave a significant gap. Some possible actions being considered include: personnel cost adjustments (steps, furloughs); resolution of MOE issue at MCPS; and, additional service cuts.*

**FY10 Approved Tax Supported Budgetary Allocations\***

		<b>Amounts</b>	<b>Cumulative Amounts</b>	<b>% Allocation</b>
<b>Education</b>				
	Public Schools \$	2,138.4		54.0%
	College \$	231.7	\$ 2,370.1	5.9%
<b>County Government</b>				
	Public Safety \$	552.5	\$ 2,922.6	14.0%
	Health and Human Services \$	215.2	\$ 3,137.8	5.4%
	Transit \$	108.5	\$ 3,246.3	2.7%
<b>Other County Government**</b>	\$	515.2	\$ 3,761.5	13.0%
<b>Park and Planning</b>	\$	111.9	\$ 3,873.4	2.8%
<b>Other Reserves and Non Agency Uses</b>	\$	84.3	\$ 3,957.7	2.1%

\* Amounts include debt service, CIP current revenues, and reserves but excludes grants and non-tax supported funds (grants and proprietary funds).

\*\* Includes Recreation, Public Libraries, Transportation (non-Transit), Consumer Protection, Human Rights, and other departments