
Revenues

INTRODUCTION

This chapter provides demographic and economic assumptions, including detailed discussions of the national, State and local economies. Revenue sources, both tax supported and non-tax supported, used to fund the County Executive's Recommended FY11 Operating Budget incorporate policy recommendations.

ESTIMATING SIX-YEAR COSTS

Demographic Assumptions

The revenue projections of the Public Services Program (PSP) incorporate demographic assumptions based on Council of Governments (COG) Round 7.2A estimates, as prepared by M-NCPPC, and are based on fiscal and economic data and analyses used or prepared by the Department of Finance. A *Demographic and Economic Assumptions* chart located at the end of this chapter provides several demographic and planning indicators.

- County population, which was estimated at 957,200 in 2009, will continue to increase an average of approximately 11,200 persons each year throughout the next seven years reaching over one million by 2013 and 1,035,000 by 2016. This reflects an average annual growth rate of 1.1 percent, which is below the average annual growth rate of 1.6 percent during the late 1990s.
- There were an estimated 359,000 households in the County in 2009 and current projections estimate the number of households to increase to 362,000 in 2010. Household growth throughout the subsequent six years is now projected to grow at an average annual rate of 1.3 percent. As a result, current projections estimate 390,000 households by 2016.
- The County's senior population continues to grow with an estimated 104,805 persons 65 or older living here in 2009 and projected to increase to 134,838 by 2015.
- County births, which are one indicator of future elementary school populations and child day care demand, are projected to gradually increase, from an estimated 13,850 in 2010 to 14,640 by 2016.
- Montgomery County Public School enrollments are projected to increase moderately over the next six years. The County expects an enrollment increase of 4,734 students from FY11 to FY16.
- Montgomery College enrollments are projected to increase from 26,144 in September 2010 to 27,198 in September 2015 (FY16). These estimates are based on a continuation of growth in fall enrollment.

Using moderate economic and demographic assumptions to develop fiscal projections does not mean that all possible factors have been considered. It is likely that entirely unanticipated events will affect long-term projections of revenue or expenditure pressures. Although they cannot be quantified, such potential factors should not be ignored in considering possible future developments. These potential factors include the following:

- Changes in the level of local economic activity,
- Federal economic and workforce changes,
- State tax and expenditure policies,
- Federal and State mandates requiring local expenditures,
- Devolution of Federal responsibilities to states and localities,
- Local tax policy changes,
- Changes in financial markets,
- Major demographic changes,
- Military conflicts and acts of terrorism, and
- Major international economic and political changes.

Policy Assumptions

Revenue and resource estimates presented are the result of the recommended policies of the County Executive for the FY11 budget. Even though it is assumed that these policies will be effective throughout the six-year period, subsequent Council actions, State law and budgetary changes, actual economic conditions, and revised revenue projections may result in policy changes in later years.

Economic Assumptions

Revenue projections depend on the current and projected indicators of the national, regional, and local economy. National economic indicators also influence the County's revenue projections. Such indicators include short-term interest rates, mortgage interest rates, and the stock market. Local economic indicators include employment, residential and nonresidential construction, housing sales, retail sales, and inflation. The assumptions for each of those indicators will affect the revenue projections over the six-year horizon. Because of the large presence of the federal government, in terms of employment, procurement, and federal retirees, Montgomery County's economy, generally, does not experience the volatility that is experienced nationally.

The economic projections for the next six fiscal years assume a slow but sustainable growth rate. However, growth will be significantly weaker in the early part of this forecast period and dependent on the current forecasts for the national and regional economies. Such projections are dependent on a number of factors – fiscal and monetary policy, real estate, employment, consumer and business confidence, the stock market, mortgage interest rates, and geopolitical risks.

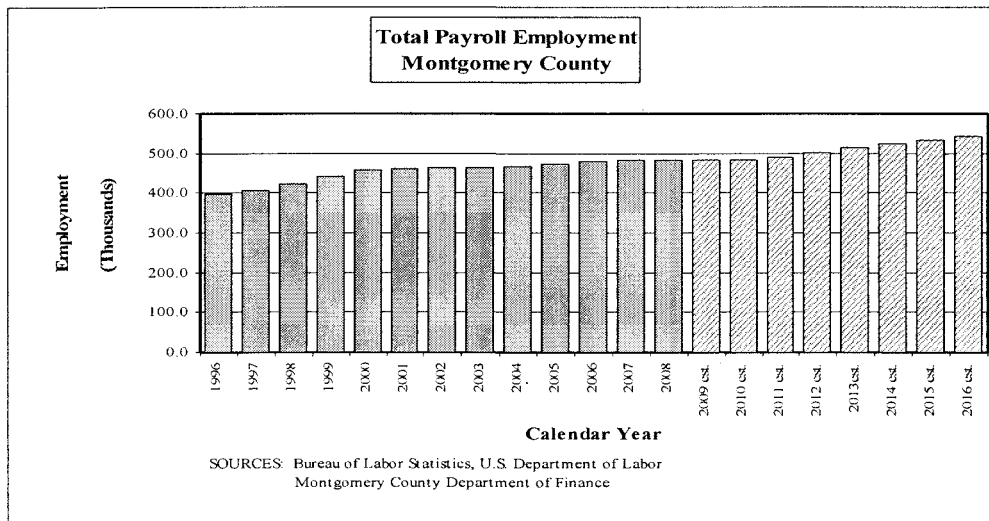
The national economy experienced an economic recession during calendar year 2009. For the year, real gross domestic product (GDP) declined 2.4 percent with the decline attributable to consumer purchases of goods (↓1.9%), investment in non-residential construction (↓19.6%), equipment and software (↓16.7%), and residential construction (↓20.4%). According to the Federal Reserve's (Fed) *Monetary Report to the Congress* (February 24, 2010), real GDP is expected to increase between 2.8 and 3.5 percent in 2010. That range is based on the Fed's assessment of "the continued expansion of economic activity, including accommodative monetary policy, ongoing improvements in the conditions of financial markets and institutions, and a pickup in global economic growth, especially in emerging market economies."

The Washington region lost nearly 26,000 jobs during 2009. Between 2003 and 2006, the region's economy added an average of nearly 59,800 new jobs per year which was significantly above the 23,300 new jobs created in 2007 and 16,700 in 2008. From 2006 to 2008, the region's unemployment rate increased slightly from 3.1 percent in 2006 to 3.8 percent in 2008, one of the lowest among the nation's largest metropolitan areas. However, because of the decline in employment in 2009, the unemployment rate increased to an estimated 6.1 percent

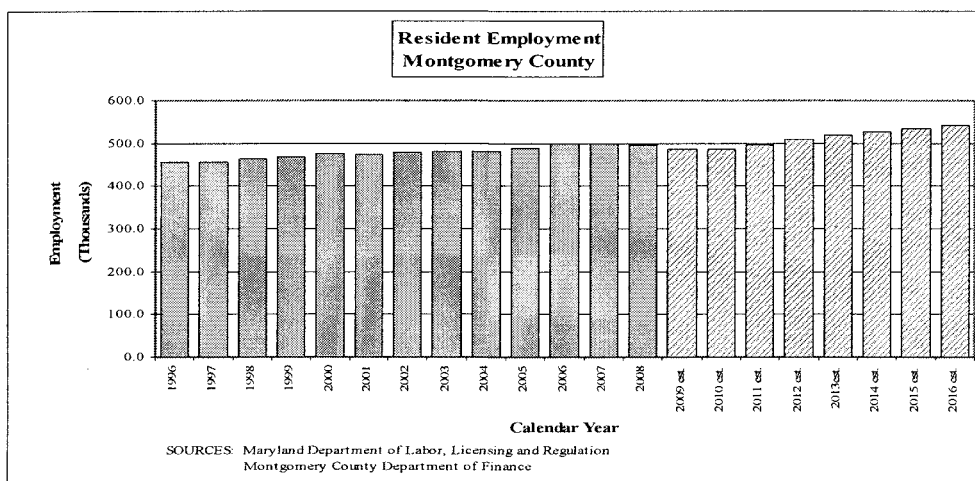
Because of the national recession, Montgomery County's economy continued to experience a slowdown in 2009. The primary reasons for the economic slowdown were the decline in housing prices, a reduction in residential and non-residential construction, and a decline in resident employment and, as a result, an increase in the unemployment rate.

Employment Situation

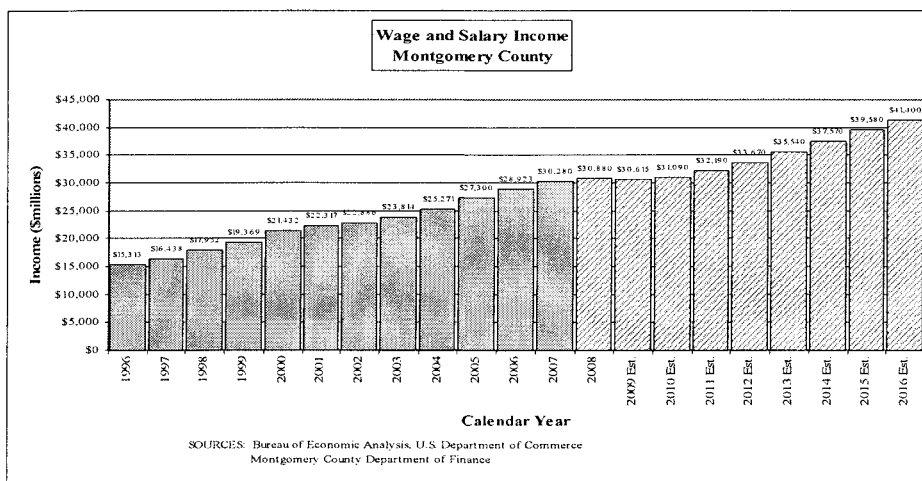
During the past fourteen years, total payroll employment in Montgomery County, which is based on the survey of establishments, experienced two distinct cycles: significant growth from 1996 to 2000 of 3.6 percent per year, and a period of weak growth between 2000 and 2009 estimate with an average annual growth rate of 0.6 percent. The Department of Finance (Finance) assumes payroll employment to grow, on average, 1.7 percent per year between 2009 and 2016. In terms of the number of jobs added to the County's total payroll employment, an average of 8,760 jobs per year is estimated between 2009 and 2016 with most of that growth occurring between 2012 and 2014.



Resident employment in the County, which is based on a survey of County households, provides a slightly different picture of employment growth. For example, resident employment grew only 1.10 percent, on average, between 1996 and 2000 (compared to the 3.6 percent for payroll employment). Following declines in employment between 2007 and the preliminary 2009 estimate, Finance assumes that employment is expected to increase at an average annual rate of 1.6 percent from 2009 to 2016.



Finance expects that wage and salary income for the County to grow, on average, 4.4 percent per year between 2009 and 2016, with total wage and salary income reaching \$41.4 billion dollars by 2016.

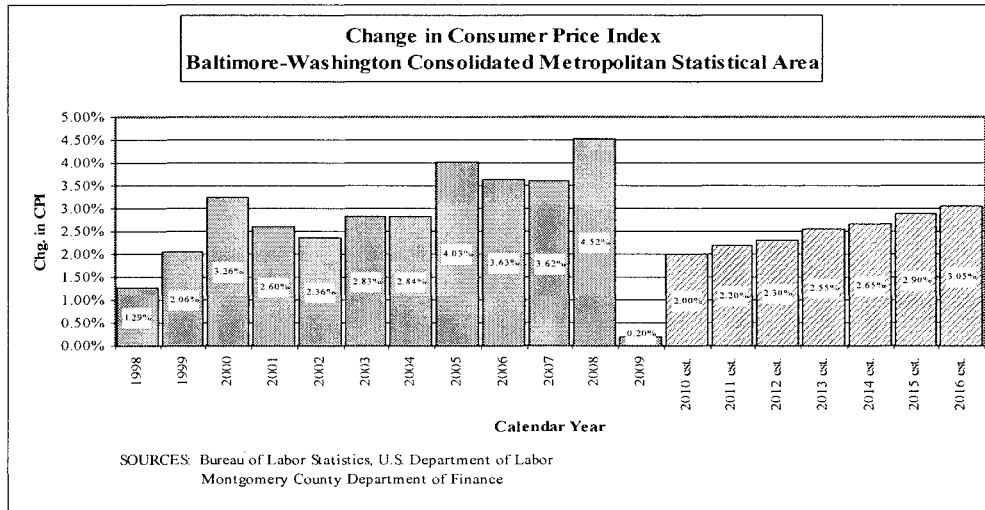


Personal Income

Finance estimates that total personal income will grow at an average annual rate of 4.5 percent from 2009 to 2016, which is lower than the thirteen-year average between 1996 and 2009 (5.6%). By 2016, Finance assumes that total personal income will reach \$89.7 billion.

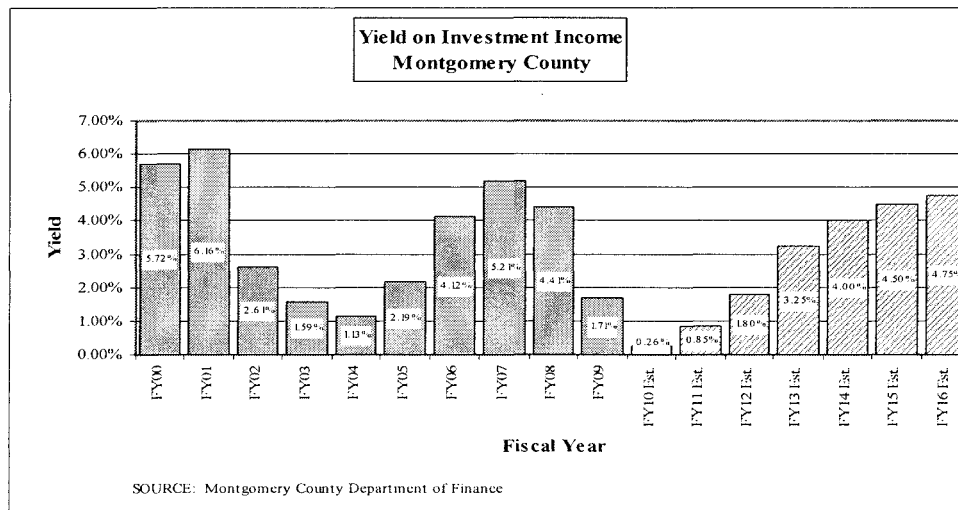
Inflation

As measured by the Consumer Price Index for All Urban Consumers (CPI-U), inflation in the Washington-Baltimore consolidated statistical metropolitan area was above the national average in 2009 (0.2% compared to -0.4% for the nation). Finance assumes that overall inflation rate, which is the percent change in the annual regional index, will gradually increase from 2.00 percent in 2010 to 3.05 percent by 2016.



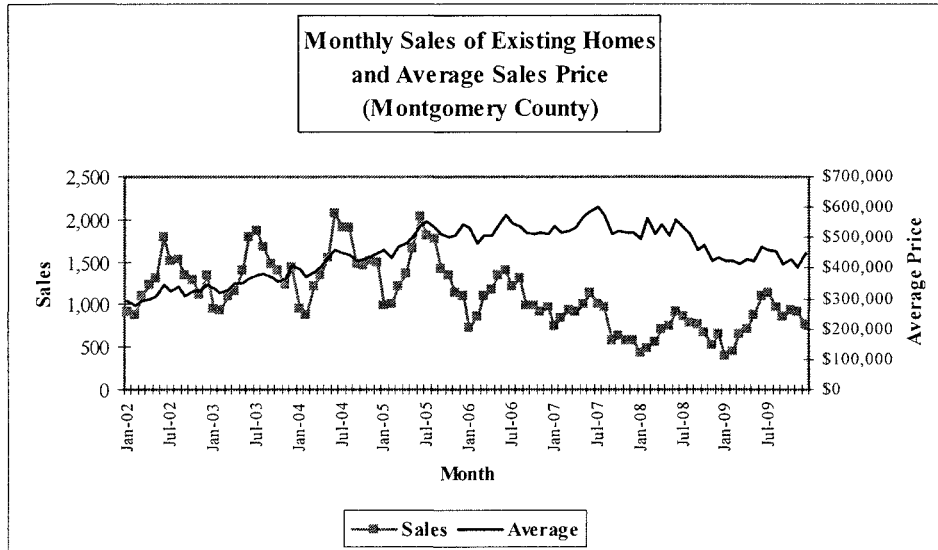
Interest Rates

Beginning September 2007 and continued through December 2008, the Fed, through its Federal Open Market Committee, aggressively cut the effective target rate on federal funds from 5.25 percent to a range of 0.00-0.25 percent. The ten rate cuts were in response to the credit crisis that had significantly affected the financial markets (both bonds and stock markets) and the national economy since the summer of 2007. Based on data from the federal funds futures market (Chicago Mercantile Exchange), Finance assumes that the FOMC will maintain its current position of an effective target rate of 0.00-0.25 percent through the first three quarters of calendar year 2010 at which time interest rates may increase modestly during the final quarter of this year. Since the yield on the County's short-term investments is highly correlated with the federal funds rate, Finance estimates that the County will earn an average of 0.26 percent on its short-term portfolio for fiscal year (FY) 2010 and 0.85 percent for FY2011.



Real Estate Market

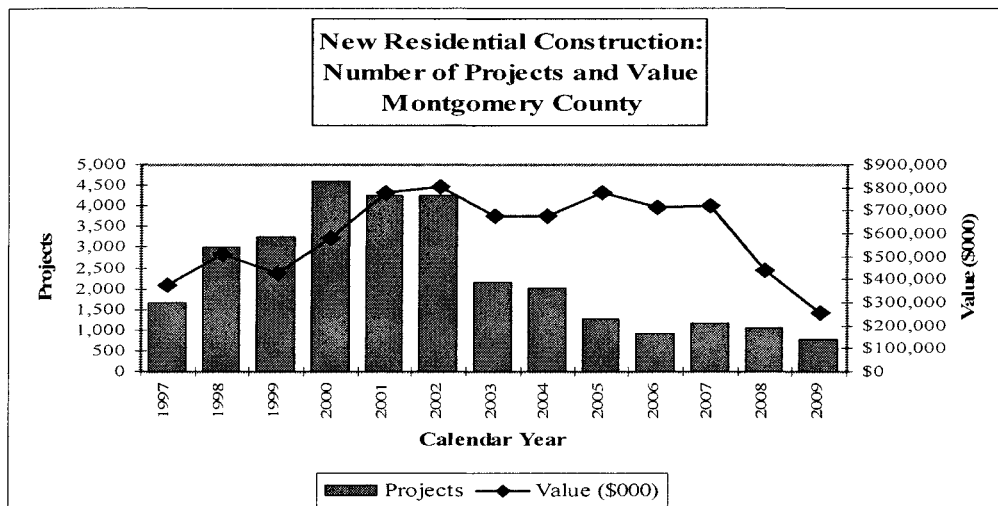
The housing market in Montgomery County experienced two different trends in 2009: 1) a dramatic increase in home sales since March 2009, and 2) a decline in the average sales price. Existing home sales increased 21.8 percent in 2009 which followed declines of 23.5 percent and 18.3 percent in 2007 and 2008, respectively. After four consecutive years of double-digit price increases between 2002 and 2005 and modest increases of 4.4 percent in 2006 and 3.6 percent in 2007, the average selling price decreased 7.6 percent in 2008 and 13.8 percent in 2009.



Construction Activity

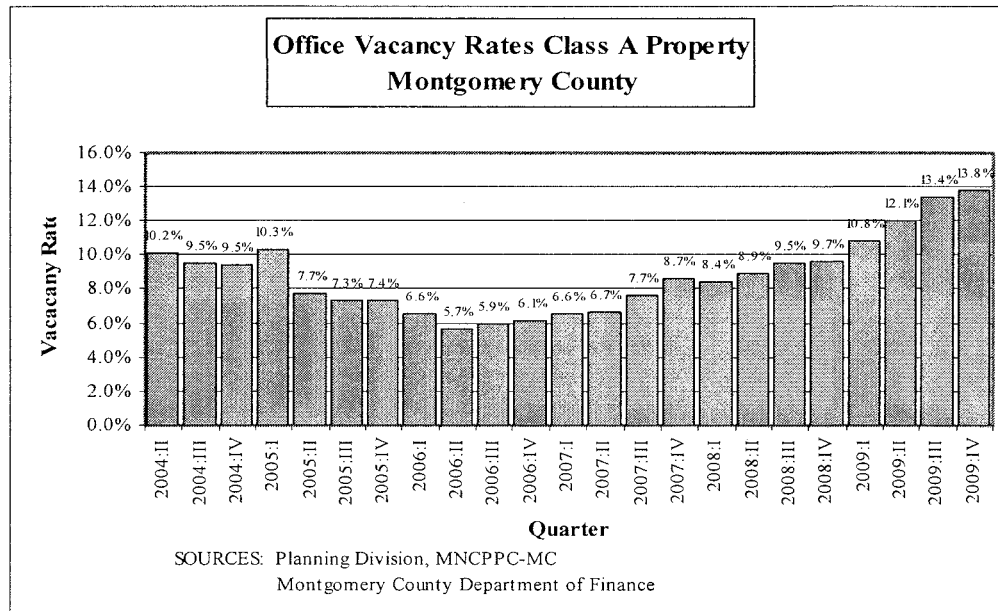
Construction is a cyclical activity that can have a significant effect on a local economy and employment owing to secondary and tertiary effects on construction supply and service industries. Permits and starts are key indicators of the near-term economic condition of the housing industry and are considered leading indicators for the local economy. Of lesser note, new single-family home sales and construction outlays are important indicators for monitoring the level of current investment activity. Construction starts measure initial activity as opposed to permits, which measure planned activity. However, permits and starts closely track each other and therefore, a four-month moving average provides a more reliable indicator of the housing trend compared to month-to-month changes. The primary source of construction data for the County is McGraw-Hill Construction, formerly known as Dodge Analytics.

The value of additional residential property declined 41.6 percent, which followed a decrease of 39.0 percent in 2008. The value of new residential construction stood at \$256.6 million in 2009, which was significantly below the previous five-year average of \$665.3 million.



The value of new non-residential construction in the County decreased 39.7 percent in calendar year 2009 from \$569.5 million to \$343.6 million. The dramatic 60 percent decrease in the value was led by commercial construction (\$323.1 million in 2008 compared to \$127.3 million in 2009). The value of other non-residential construction, which includes manufacturing, education and science, hospital, and health treatment facilities, decreased 12.2 percent in 2009 from \$246.4 million to \$216.3 million.

The decline in non-residential construction can be attributed to an increase in the vacancy rate for Class A property during 2009 reaching its highest level of 13.8 percent by the fourth quarter. While that rate is the same as the regional average, it represents an uninterrupted series of increases that began in the first quarter of 2008.



Retail Sales

Using sales tax receipts as a measure of the level of retail sales for the County, purchases of durable and nondurable goods adjusted for the rate increase from 5 percent to 6 percent decreased 6.6 percent in 2009 compared to a decrease of 3.4 percent in 2008. The sale of nondurable goods, which includes food and beverage, apparel, general merchandise, and utilities and transportation, decreased 4.3 percent while sales of durable goods declined 12.3 percent. Sales of apparel and general merchandise items, which declined 6.7 percent and 8.1 percent, respectively, contributed to the decrease in purchases of nondurable goods. Sales of furniture and appliances (↓22.3%) and hardware, machinery, and equipment (↓17.1%) led the decline in purchases of durable goods.

REVENUE SOURCES

The major revenue sources for all County funds of the Operating Budget and the Public Services Program are described below. Revenue sources which fund department and agency budgets are included in the respective budget presentations. Six-year projections of revenues and resources available for allocation are made for all County funds. This section displays projections of total revenues available for the tax supported portion of the program. Tax supported funds are those funds subject to the Spending Affordability Guideline (SAG) limitations. The SAG limitations were designed and intended to provide guidance prior to the preparation of the recommended budget as to the level of expenditure that is affordable based on the latest revenue estimates.

The PSP also includes multi-year projections of non-tax supported funds. These funds represent another type of financial burden on households and businesses and, therefore, should be considered in determining the "affordability" of all services that affect most of the County's population. Projections for non-tax supported funds within County government are presented in the budget section for each of those funds.

IMPACT ON REVENUES AND THE CAPITAL BUDGET

The use of resources represented in this section includes appropriations to the Operating Funds of the various agencies of the County as well as other resource requirements, such as current revenue funding of the Capital Budget, Debt Service, and Fund

Balance (operating margin). These other uses, commonly called "Non-Agency Uses of Resources," affect the total level of resources available for allocation to agency programs. Some of these factors are determined by County policy; others depend, in part, on actual revenue receipts and expenditure patterns.

The level of PSP-related spending indirectly impacts the local economy and, hence, the level of County revenues. However, the effect on revenues from expenditures of the Executive's Recommended Operating Budget and PSP are expected to be minimal. The PSP also impacts revenues available to fund the Capital Budget. The revenue projections included in this section subtract projected uses of current revenues for both debt eligible and non-debt eligible capital investments. Therefore, the Executive's Recommended Operating Budget and PSP provide the allocations of annual resources to the Capital Budget as planned for in the County Executive's Recommended FY11-16 Capital Improvements Program (as of January 15, 2010). These allocations will vary because of adjustments to current revenues for the CIP as part of the Executive's Recommended Operating Budget.

Prior Year Fund Balance

The prior year fund balance for the previous fiscal year is the audited FY09 closing fund balance for all tax supported funds. The current year fund balance results from an analysis of revenues and expenditures for the balance of the fiscal year. Prior year fund balance for future fiscal years is assumed to equal the target fund balance for the preceding year.

Net Transfers

Net transfers are the net of transfers between all tax supported and non-tax supported funds in all agencies. The largest single item is the earnings transfer from the Liquor Control Fund to the General Fund. The transfer from the General Fund to Montgomery Housing Initiative to support the Executive's housing policy is the largest transfer to a non-tax supported fund. The payment from the General Fund to the Solid Waste Disposal Fund for disposal of solid waste collected at County facilities is the next largest transfer to a non-tax supported fund. The level of transfers is an estimate based on individual estimates of component transfers.

Debt Service Obligations

Debt service estimates are those made to support the County Executive's Recommended FY11-16 Capital Improvements Program (as of January 15, 2010). Debt service obligations over the six years are based on servicing debt issued to fund planned capital projects, as well as amounts necessary for short-term and long-term leases. Debt service requirements have the single largest impact on the Operating Budget/Public Services Program by the Capital Improvements Program. The Charter-required CIP contains a plan or schedule of project expenditures for schools, transportation, and infrastructure modernization. Approximately 56.5 percent of the CIP is funded with G.O. bonds. Each G.O. bond issue used to fund the CIP translates to a draw against the Operating Budget each year for 20 years. Debt requirements for past and future G.O. bond issues are calculated each fiscal year, and provision for the payment of Debt Service is included as part of the annual estimation of resources available for other Operating Budget requirements. As Debt Service grows over the years, increased pressures are placed on other PSP programs competing for scarce resources.

In accordance with the County's Fiscal Policy, these obligations are expected to stay manageable, representing less than 10.0 percent of General Fund revenues. Maintaining this guideline ensures that taxpayer resources are not overextended during fiscal downturns and that services are not reduced over time due to increased Debt Service burdens.

The State authorizes borrowing of funds and issuance of bonds up to a maximum of 6.0 percent of the assessed valuation of all real property and 15.0 percent of the assessed value of all personal property within the County. The County's outstanding G.O. debt plus short-term commercial paper as of June 30, 2009, is 1.17 percent of assessed value, well within the legal debt limit and safely within the County's financial capabilities.

CIP Current Revenue and PAYGO

Estimates of transfers of current revenue and PAYGO to the CIP are based on the most current County Executive recommendations for the Capital Budget and CIP. These estimates are based on programmed current revenue and PAYGO funding in the six years, as well as additional current revenue amounts allocated to the CIP for future projects and inflation.

Revenue Stabilization

Mandatory contributions to the Revenue Stabilization Fund (Rainy Day Fund) are made if certain revenues increase above their budgeted projections and/or if projected revenue growth is stronger than in a selected historical period. Revenues include County Income Tax, Transfer Tax, General Fund Investment Income, and Recordation Tax excluding the amount dedicated to the MCPS CIP, College information technology projects, and rental assistance programs. The projection assumes that no

mandatory transfer will be made to this fund at the end of FY10. The County Executive recommends a transfer of approximately \$102.0 million from the fund, leaving a fund balance of \$17.7 million at the end of FY10. The County Executive also recommends a transfer of \$37.0 million into the fund in FY11 bringing the fund balance to \$57.8 million, which includes interest earned.

Since the fund reached more than half of its maximum size in FY10, interest earned must be used as an offset to the issuance of General Obligation debt. The estimate of the interest in FY10 is slightly more than \$311,000. Funding of PAYGO from earned interest was made in FY02 (\$2.2 million), FY03 (\$1.3 million), FY04 (\$1.1 million), FY05 (\$2.4 million), FY06 (\$4.7 million), FY07 (\$6.2 million), FY08 (\$5.8 million), FY09 (\$2.0 million), FY10 (\$312,000). **Because of the estimated fund balance in FY11, there will be no transfer of the \$150,000 interest earned to PAYGO.**

Other Uses

This category is used to set aside funds for such items as possible legal settlement payments and other special circumstances such as set-aside of revenues to fund future years.

Reserves

The County will maintain total reserves for tax supported funds that include both an operating margin reserve and the Revenue Stabilization Fund (or "Rainy Day Fund"). For tax supported funds in FY11, the budgeted total reserve of the operating margin and the Revenue Stabilization Fund will be 5.0 percent of total resources (i.e., revenues, transfers, prior year undesignated and designated fund balance). Future year projections assume restoration of total tax supported reserves to 6.0 percent of total resources.

REVENUE ASSUMPTIONS

Projections for revenues are included in six-year schedules for County Government Special Funds and for Montgomery College, M-NCPPC, and WSSC in the relevant sections of this document. See the MCPS Budget Document for six-year projections of MCPS funds. Projections for revenues funding County government appropriations are provided to the Council and public as fiscal projections. Such projections are based on estimates of County income from its own sources such as taxes, user fees, charges, and fines, as well as expectations of other assistance from the State and Federal government. The most likely economic, demographic, and governmental policy assumptions that will cause a change in revenue projections are included in this section.

TAX REVENUES

Tax supported revenues come from a number of sources including but not limited to property and income taxes, real estate transfer and recordation taxes, excise taxes, intergovernmental revenues, service charges, fees and licenses, college tuition, and investment income. In order of magnitude, however, the property tax and the income tax are the most important with 38.2 percent and 30.6 percent, respectively, of the estimated total tax supported revenues in FY11. The third category is the combined real estate transfer and recordation taxes estimated for the General Fund with a 3.6 percent share. In fact, these three revenue sources represent 72.4 percent of total tax supported revenues. Income and transfer and recordation taxes are the most sensitive to economic and, increasingly, financial market conditions. By contrast, the property tax exhibits the least volatility because of the three year re-assessment phase-in and the ten percent "homestead tax credit" that spreads out changes evenly over several years.

In the late 1990s and early 2000s, the property tax stood in the shadow of the income tax in terms of growth. In fact, in FY99 measured by General Fund revenues, the income tax surpassed the property tax for the first time as the largest tax source in the County. At the time, the low single-digit growth in property tax revenue was dwarfed by the double-digit growth in the income tax. But with all this explosive growth in the income tax also came considerable volatility. For that reason, it was a welcome sign to observe that the property tax – the most stable of all revenue sources – gained considerable ground at a time that the income tax has experienced considerable weakness due to the economy. Because of adhering to the Charter Limit through tax rate cuts and income tax offset credit, the growth rates in property taxes were lower than would have been under current rates.

Property Tax

Using *proposed* rates (levy year 2010) and a recommended \$693 credit to meet the Charter Limit, total estimated FY11 tax supported property tax revenues of \$1,449.9 million are 1.2 percent above the revised FY10 estimate. The general countywide rate for FY11 is \$0.697 per \$100 of assessed real property, while a rate of \$1.743 per \$100 is levied on personal property. In addition to the general countywide tax rate, there are special district area tax rates. The 1990 Charter amendment (FIT) limits the growth in property tax revenues to the sum of the previous year's estimated revenue, increased by

the rate of inflation, and an amount based on the value of new construction and other minor factors. This Charter limit, however, may be overridden by a unanimous vote of the nine members of the County Council. Growth in the previous calendar year's CPI-U for the Washington-Baltimore Consolidated Metropolitan Statistical Area is used to measure inflation. Since reassessments grew faster than the rate of inflation during the previous six fiscal years, current rates generate revenues that are \$168.8 million above the Charter limit for FY11 assuming the income tax offset (rebate) is used to achieve the Charter Limit. The County Executive's proposal to recommend an income tax offset credit (rebate) of \$693 for each owner-occupied residence (principal residence) reduces property tax revenues in FY11 by \$168.8 million below what the levy year 2009 rates would have generated. As a result, property tax revenues in FY11 are reduced sufficiently to eliminate the variance between revenues at current rates and at the Charter Limit.

The countywide total property tax assessable base is estimated to increase 1.1 percent from a revised \$172.8 billion in FY10 to \$174.6 billion in FY11. The base is comprised of real property and personal property. In FY11, the Department of Finance estimates real property of approximately \$170.5 billion with the remaining \$4.1 billion in personal property. The growth in the total property base has fluctuated significantly over time, with an annual average of 10.2 percent growth during the late 1980s and early 1990s, followed by considerable deceleration with base growth generally close to an average 3.0 percent between FY93 and FY99. In FY00, the total property tax base increased 2.8 percent and since that time, it has improved steadily reaching a near term high of 13.4 percent by FY07 then decelerating to 10.8 percent by FY09. Reflecting changes in new construction and a slowdown in reassessments attributed to negative reassessment rates for Group 3 (levy year 2009) and Group 1 (levy year 2010), the real property tax base is expected to grow a revised 6.6 percent in FY10 and 1.1 percent in FY11.

The real property base is divided into three groups based on their geographic location in the County. Each group is reassessed triennially by the State Department of Assessments and Taxation (SDAT), which has the responsibility for assessing properties in Maryland. The amount of the change in the established market value (full cash value) of one-third of the properties reassessed each year is phased in over a three-year period. Declines in assessed values, however, are effective in the first year. Because of the different phase-ins of increases and declines during periods of modest reassessment growth, the reassessment cycle for a particular group may produce either no growth or a decline in the first year, followed by reassessment gains in the two subsequent years. The decline in reassessments effective for FY11 for Group I (↓19.4% residential and ↑8.1% for commercial of 17.0 percent follows a decline in FY10 for Group III of 10.6 percent (↓16.3% for residential and ↑6.0% for commercial) follows growth in reassessments for Group II of 16.2 percent (↑14.6% for residential and ↑23.2% for commercial properties).

There is a ten percent annual assessment growth limitation for residential property that is owner-occupied. As a result of this "homestead tax credit," these taxable reassessments in Montgomery County may not grow more than ten percent in any one year. Due to strong reassessment growth in the late 1980s and early 1990s, this assessment limitation credit topped the \$2.5 billion mark in FY92 (using the current 100 percent full cash value method). As growth in home prices decelerated in subsequent years, reassessments either declined or grew less rapidly. The homestead tax credit reflected this trend, with the aggregate credit dropping steadily to \$48.0 million in FY01. However, as the real estate market rebounded in the County starting in the late 1990s, home prices rose at a faster clip causing a sharp increase in reassessments. This is reflected in an increase in the credit to \$1.3 billion in FY04, \$3.8 billion in FY05, \$8.47 billion in FY06, \$15.0 billion in FY07, \$21.5 billion in FY08, \$23.8 billion in FY09, which is an all time record, and declining to \$14.9 billion in FY10 and declining further to an estimated \$5.3 billion in FY11. The outlook for the remainder of the six-year forecast period is for the homestead tax credit to continue its sharp decline through FY12.

Decreases in the personal property base between FY04 and FY06 reflected the residual effects of weak labor market conditions that occurred between calendar years 2001 and 2003 and resulted in a lower number of new businesses and associated investments. This was exacerbated by tax law changes, including partial exemption of electricity generating equipment (energy deregulation), other exemptions (e.g., manufacturing, Research and Development, and certain computer software), and new depreciation rules (e.g., for computer equipment). Personal property includes public utility equipment, business furniture and equipment, and computers. Finance estimates that the corporate personal property base is projected to increase 0.7 percent in FY10. The public utility portion, which accounted for 39.8 percent of the personal property base in FY09, is projected to increase 1.0 percent in FY11.

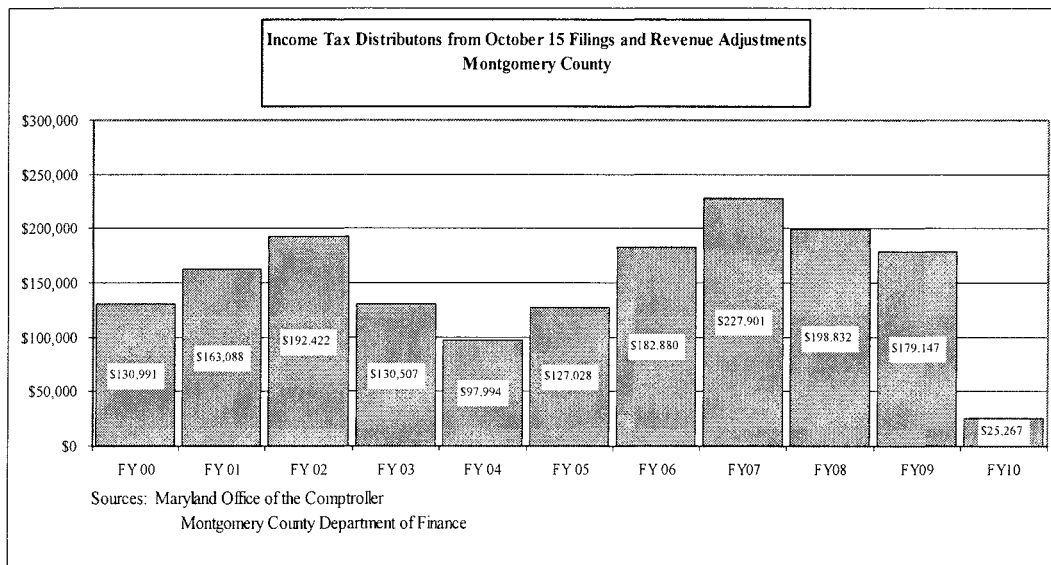
The real property base of \$170.5 billion in FY11 is estimated to grow \$1.8 billion compared to a revised FY10 estimate. The level of new reassessments in FY11 is attributed to the dramatic decline in Group I reassessment rates. While growth in construction is projected to decrease in FY10, it is expected to gradually increase over the next six fiscal years reaching \$1.1 billion by FY16. Similarly, reassessments remain the largest contributor to the taxable base during this six-year forecast period.

Income Tax

Estimated FY11 income tax revenues of \$1,160.9 million are 6.1 percent above the revised FY10 estimate. Growth slowed during the early part of the decade reflecting moderation in the trend attributed to very weak growth in County employment – an average annual growth rate of 0.5 percent between calendar years 2001 and 2003. For example, adjusted for the changes in the tax rate, the percent change in withholdings and estimated payments declined steadily from a peak of 10.5 percent in tax year 2000 to an annual average growth rate of 0.9 percent between tax years 2001 and 2003. However, since 2003 withholdings and estimated payments rebounded with an increase of 10.5 percent in 2004, 5.0 percent in 2005, 13.4 percent in 2006, and 13.0 percent in 2007, then decelerated to only 1.5 percent in 2008, and actually declined 6.7 percent in 2009.

Since, during any one fiscal year, the County receives income tax distributions pertaining to at least three different tax years, it is important to analyze the data on a tax year basis. During the 1990s, average annual tax liability grew considerably slower in the first half (7.5 percent) of the decade compared to the second half (10.4 percent). During the second half of the 1990s, quarterly income tax distributions grew rapidly, with ten percent growth rates in the years 1997 through 1999. However, such growth decelerated rapidly to only 6.8 percent in 2000, 1.1 percent in 2001, 1.4 percent in 2002, and 0.3 percent in 2003. Following a subsequent economic and stock market rebound and the County Council raising the local tax to the maximum rate of 3.2 percent effective tax year 2004, revenues from withholdings and estimated payments increased 19.9 percent, 5.0 percent in 2005, 13.4 percent in 2006, 13.0 percent in 2007, 1.5 percent in 2008, but declined 6.7 percent in 2009.

In addition to the quarterly distributions that represent withholdings and estimated payments, receipts from late filers, who had underestimated their tax liability, and adjustments to prior year distributions by the Maryland Comptroller jumped to unprecedented levels during the late 1990s and 2000. For example, while a total of only \$37.0 million was received for tax year 1990, that amount gradually increased and peaked at \$192.4 million in fiscal year 2002, but fell sharply in the two subsequent years to \$98.0 million by FY04. Since that time, revenues from later filers and distribution adjustments have rebounded dramatically reaching \$127.0 million in FY05, \$183.0 million in FY06, \$227.9 million in FY07, declined to \$198.9 million in FY08, and declined further to \$179.2 million in FY09. Because of the dramatic decline in the stock market, that distribution declined dramatically in FY10 to a mere \$25.3 million. As taxpayers underestimate their tax liability from non-employment related earnings, additional payments are made when tax returns are filed. Taxpayers with more complicated tax returns, reflecting significant non-employment related earnings such as stock options and capital gains (from either the stock market or real estate), increasingly file for an extension. However, recent federal tax law now allows a taxpayer to get a six-month extension rather than a four-month extension with a request for an extra two months. Since taxpayers now file for one extension (through October 15th), income tax receipts from late filers are distributed to the County primarily in November and to a much smaller degree in January. These extended-filer distributions reflect significant shifts in one-time tax liability and, thus, represent the most volatile component of the income tax. Even though, in aggregate, this tax liability may continue to shift over a longer period of time, the shift remains one-time in the sense that tax liability changes as a result of the one-time exercise of a stock option or sale of stock or real estate at a price that is different from the original issuance or purchase. Once that action has been taken, gains (or losses) are recognized, with no addition to future tax liability. By contrast, employment growth is an addition to the base that increases tax liability through wage growth in future years and is, thus, a more predictable indicator of future revenue growth.



Transfer and Recordation Taxes

Estimated FY11 revenues for the tax-supported funds of \$134.9 million, which *excludes* the school CIP portion and condominium conversions are 17.5 percent above the revised FY10 estimate. This reflects an FY11 estimate of \$75.7 million in the transfer tax and \$59.2 million in the recordation tax. Transfer and recordation tax revenues have fluctuated greatly over time and primarily reflect shifting trends in the real estate market. In FY09, 86.6 percent of transfer tax revenue came from the residential sector compared to 87.7 percent in FY04, 85.5 percent in FY05, 83.6 percent in FY06, 87.1 percent in FY07, and 85.7 percent in FY08. The transfer tax rate is generally one percent of the value of the property transferred to a new owner. This applies to both improved (i.e., building) and unimproved (i.e., land) residential and commercial properties. The recordation tax is levied when changes occur in deeds, mortgages, leases, and other contracts pertaining to the title of either real or personal property. Through FY02 the recordation tax was generally \$4.40 per \$1,000 of the value of the contract (0.44%). Beginning in FY03, the recordation tax rate was raised to \$6.90 per \$1,000 of the value of the contract (0.69%) with the first \$50,000 of the consideration exempted from the tax for owner-occupied residential properties. The Council earmarked the revenues attributed to the rate increase for school capital programs and college information technology projects. Generally, both transfer and recordation taxes are levied when properties are sold. In some cases, only one of the two taxes is levied. One example is refinancing of a mortgage, in which case there may be an increase in the mortgage amount and, hence, recordation tax, but since there is no transfer of property, there is no transfer tax. Beginning March 1, 2008, the Council also levied an additional recordation tax (premium) of 0.31 percent on transactions above \$500,000 for the Housing Initiative and CIP for County government.

Residential transfer tax revenues are affected by the trends in real estate sales for existing and new homes. Real estate sales, in turn, are highly correlated with specific economic indicators such as growth in employment and wages and salaries, formation of households, mortgage lending conditions, and mortgage interest rates. The same holds true for the commercial sector, which is equally affected by business activity and investment, office vacancy rates, property values, and financing costs. The volatility in revenues from the transfer and recordation is best illustrated in the trend since FY99. The growth rate in the number of residential transfers slowed to 7.5 percent in FY00 when the number of residential transfers peaked at nearly 22,000, decreased 4.5 percent in FY01 (21,005), increased 12.5 percent in FY02 (23,633), decreased 3.6 percent in FY03 (22,771), increased 9.3 percent in FY04 (24,897), increased modestly to 3.8 percent in FY05 (25,852), but declined 7.9 percent in FY06 (23,803), declined 22.7 percent in FY07 (18,389), declined 28.9 percent in FY08 (13,066), and declined 3.7 percent in FY09 (12,572). While the number of residential transfers exhibited significant volatility since FY99, the acceleration in home prices during FY04, FY05, and FY06 had a significant effect on revenues and partially offset the volatility in the number of transfers especially in FY06. Due to the strong demand for new and existing homes, property values increased such that total transfer taxes from the residential sector increased 29.6 percent in FY04, 20.3 percent in FY05, and 6.5 percent in FY06.

However, conditions in the real estate market for Montgomery County began to weaken in FY06 and deteriorated further in FY07 through FY09. Home sales declined 15.7 percent in FY06, 21.4 percent in FY07, 31.3 percent in FY08, but increased a modest 2.9 percent in FY09. While sales increased slightly in FY09, the average sales price for an existing home declined nearly 16 percent in FY09. Because of the dramatic increase in home sales that began near the end of FY09, Finance assumes that the number of residential transfers will increase 24.0 percent in FY10 and increase a modest 3.6 percent in FY11. Average sales prices decelerated in FY07 (↑2.0%) and FY08 (↑0.4%) but declined dramatically in FY09 (↓15.8%). Finance estimates that average prices will decline 10.6 percent in FY10 and 1.5 percent in FY11. Because of the projected increase in the number of transfers that will offset the decline in average prices, revenues from the residential portion of the transfer tax are expected to increase 10.9 percent in FY10 and 3.0 percent in FY11.

At the same time that revenues from the residential portion of the transfer tax experienced significant growth since FY99, revenues from non-residential properties experienced a more medium-term cyclical pattern that began in FY99. Beginning in FY99, revenues from non-residential property (excluding farms and rezoning) declined for three consecutive years: ↓36.2 percent in FY99, ↓2.6 percent in FY00, and ↓17.3 percent in FY01. However, based on a healthy commercial boom since FY01, non-residential transfer taxes recovered in FY02 (↑3.0%), FY03 (↑18.6%), FY04 (↑33.9%), FY05 (↑48.5%), and FY06 (↑13.4%). By contrast, in FY07 revenues from non-residential properties declined 51.4 percent, decreased 0.6 percent in FY08 and decreased 27.3 percent in FY09, and estimated to decrease 22.5 percent in FY10 before rebounding in FY11.

Recordation tax revenues (excluding the school CIP portion) generally track the trend in transfer tax revenues. Revenues from the recordation tax increased 35.7 percent in FY02, 17.7 percent in FY03, 27.8 percent in FY04, 13.9 percent in FY05, and 9.8 percent in FY06, before declining 24.5 percent in FY07, 24.8 percent in FY08, and 22.4 percent in FY09. The revised estimate for FY10 reflects an increase of 16.0 percent reaching \$52.3 million, although conditions are expected to improve in the next

year resulting in an increase of 3.6 percent in FY11 to \$51.0 million. The combined transfer and recordation taxes are projected to reach \$126.6 million in FY11.

Energy Tax

Estimated FY11 revenues of \$185.1 million are 40.0 percent above the revised FY10 estimate. The County Executive recommends a \$50 million increase in the energy tax beginning in FY11. The fuel-energy tax is imposed on persons transmitting, distributing, manufacturing, producing, or supplying electricity, gas, steam, coal, fuel oil, or liquefied petroleum gas. Different rates apply to residential and nonresidential consumption and to the various types of energy. Effective FY04, the previous rate schedule was increased threefold by the County Council on May 14, 2003. The rate schedule was changed again on May 20, 2004, with rates increasing 52.15 percent for FY05 and again with enactment of Resolution Number 16-553 on May 14, 2008. The latest resolution levied a carbon surtax by increasing the electricity, oil, and steam rates by 10.0 percent, increasing the natural gas rate by 5.0 percent, and increasing the coal rate by 20.0 percent. Since the rates per unit of energy consumed are fixed, collections change only with shifts in energy consumption and not with changes in the price of the energy product. Based on partial fiscal year data for FY10, Finance assumes that residential consumption as a percentage of total energy consumption will remain at 46.6 percent. Due to a different rate schedule, the share of receipts from residential users is approximately 27.0 percent of total collections, with the larger share received from the non-residential sector. Measured for all energy types, the two largest sources of revenues in FY09 were electricity (78.6%) and natural gas (19.9%). Since actual collections vary with weather conditions, a harsh winter weather increases usage of electricity, natural gas, and heating oil, while milder summer weather reduces electricity usage for climate control systems. The impact of weather patterns is partly offset by an expansion of the user base with more businesses and households.

Telephone Tax

Estimated FY11 revenues of \$30.6 million are 3.5 percent above the revised FY10 estimate. The telephone tax is levied as a fixed amount per landline, wireless lines, and other communication devices. The tax on a traditional landline is \$2.00 per month, while multiple business lines (Centrex) are taxed at \$0.20 per month. The tax rate on wireless lines is \$2.00 per month. With business expansion combined with a surge in new home sales in the County in FY00 and FY01, and an increased demand for second phone lines for computer access to the internet, collections from the telephone tax grew 12.0 percent in FY00 and 4.1 percent in FY01. With the slowdown in the local economy during FY02 and FY03 and alternative computer internet access, collections declined 5.8 percent and 8.6 percent, respectively. Assuming modest growth in businesses and households, revenues are expected to increase a modest 3.5 percent in FY11 primarily due to an increase in wireless communication. Reflecting, in part, modest growth in new household and business formations, the outlook for FY11 through FY16 is for revenues from wireless communication to increase at an average rate of 3.7 percent per year, while the number of landlines is expected to experience a continued decline in FY11.

Hotel/Motel Tax

Estimated FY11 revenues of \$17.4 million are 9.7 percent above the revised FY10 estimate. The hotel/motel tax is levied as a percentage of the hotel bill. The current tax rate of 7 percent in FY10 is also assumed for FY11. In FY97, the rate was increased from 5 percent to 7 percent with the increase earmarked for funding the Montgomery County Conference Center located in North Bethesda. Collections grow with the costs of hotel rooms and the combined effect of room supply and hotel occupancy rate in the County. Occupancy rates in the County are generally the highest in the spring (April and May) and autumn (September and October) as tourists and schools visit the nation's capital for such events as the Cherry Blossom Festival and school trips, while organizations often schedule conferences during such periods. During peak periods, many visitors to Washington, D.C. use hotels in the County, especially those in the lower county. Reflecting improved economic conditions during the mid and late 1990s and the presidential primaries and presidential inauguration during 2000 and early 2001, respectively, spurred both business travel and tourism, hotel occupancy rates grew from 67.1 percent in FY96 to a record high 72.1 percent in FY01. The second component – average room rate – grew at an average annual rate of 4.1 percent between FY95 and FY09 to a record \$133.89. The third component that makes up revenues – room supply – grew at an average annual rate of 1.5 percent from FY95 to FY09. As a result, total hotel revenues more than doubled between FY95 and FY09 to over \$16.9 million.

Because of the economic slowdown in the County and the national recession that began in December 2007, the average occupancy rate is expected to decrease slightly from a revised 64.8 percent in FY08 to an estimated 62.4 percent in FY10 but increase to 65.0 percent in FY11. Room rates are expected to climb to \$132.53 in FY11 from \$131.44 in FY10 as a countywide average, resulting in 9.7 percent growth in the hotel/motel tax in FY11 which follows a revised estimate of 6.0 percent decrease in FY10. Long-term estimates are tied to projected room occupancy and rate increases, partially reflecting the forecast of inflation and population growth that result in annual projected revenues through FY16 in the \$17.3 million and \$27.8 million range.

Admissions Tax

Estimated FY11 revenues of \$2.0 million are 0.7 percent below the revised FY10 estimate. Admissions and amusement taxes are State-administered local taxes on the gross receipts of various categories of amusement, recreation, and sports activities. Taxpayers are required to file a return and pay the tax monthly while the County receives quarterly distributions of the receipts from the State. Montgomery County levies a seven percent tax, except for categories subject to State sales and use tax, where the County rate would be lower. Such categories include rentals of athletic equipment, boats, golf carts, skates, skis, horses; and sales related to entertainment. Gross receipts are exempt from the County tax when a Municipal admissions and amusement tax is in effect. For FY09, coin and non-coin-operated amusement devices accounted for 26.1 percent of total collections, while other major categories include golf green fees, driving ranges and golf cart rentals (21.4%), and motion picture theaters (31.1%). Revenues for the period FY11 through FY16 are expected to average \$1.9 million.

NON-TAX REVENUES

Non-tax revenues throughout all tax supported funds (excluding Enterprise Funds, such as Permitting Services, Parking Districts, Solid Waste Disposal, and Solid Waste Collection Funds) are estimated at \$812.9 million in FY11. This is a \$20.3 million decrease, or ↓2.4 percent, from the revised FY10 estimate, primarily attributed to a decline in other miscellaneous revenues (↓84.8%). Non-tax revenues include: intergovernmental aid; investment income; licenses and permits; user fees, fines, and forfeitures; and miscellaneous revenues.

General Intergovernmental Revenues

General Intergovernmental Revenues are received from the State or Federal governments as general aid for certain purposes, not tied, like grants, to particular expenditures. The majority of this money comes from the State based on particular formulas set in law. Total aid is specified in the Governor's annual budget. Since the final results are not known until the General Assembly session is completed and the State budget adopted, estimates in the March 15 County Executive Recommended Public Services Program are, generally, based on the Governor's budget estimates for FY11, unless those estimates assume a change in existing law. If additional information on the State budget is available to the County Executive, this information will be incorporated into the budgeted projection of State aid. For future years, it is difficult to know confidently how State aid policy may change. The projection does not assume that State aid formulas will necessarily remain in place. It is assumed that State aid will increase with either the projected rate of inflation, by an amount based on the projected increase in County population, or a combination of those two factors. The Recommended Budget for FY11 assumes a \$44.9 million, or 7.9 percent, increase in Intergovernmental Revenues from the revised FY10 estimate, of which 79.5 percent is allocated to the Montgomery County Public Schools, 5.0 percent to Montgomery Community College, and 3.7 percent to Mass Transit. Total Intergovernmental Aid is estimated to total \$614.4 million in FY11 or 75.6 percent of all non-tax revenues.

Licenses and Permits

Licenses and permits include General Fund business licenses (primarily public health, traders, and liquor licenses) and non-business licenses (primarily marriage licenses and Clerk of the Court business licenses). Licenses and permits in the Permitting Services Enterprise Fund, which include building, electrical, and sediment control permits, are Enterprise Funds and thus not included in tax supported projections. The Recommended Budget for FY11 assumes a 1.9 percent decrease over the revised projections for FY10, resulting in \$12.1 million in available resources in FY11.

Charges for Services (User Fees)

Excluding intergovernmental revenues to Montgomery County public schools, Montgomery Community College, and college tuition, charges for services, or user fees, is the largest non-tax revenue source such as activity fees, Ride On fares, and parking revenues are considered. Tax supported fee revenues come primarily from fees imposed on the recipients of certain County services including mass transit, human services, and recreation services and are included in the tax supported funds. Without rate increases, these revenues tend to show little growth although there is some variance because of weather, population changes, the economy, and changes in commuting patterns. However, it is the policy of the County to increase rates or fees to keep up with inflation. It is not always possible to achieve this goal for each fee, either because of market competition or because prices normally rise in rounded steps. The Recommended Budget for FY11 assumes 33.9 percent growth over the revised projections for FY10, resulting in \$64.9 million in available resources in FY11. Contributing to this growth is the County Executive's recommendation to levy an Emergency Medical Services Transport fee.

Fines and Forfeitures

Revenues from fines and forfeitures relate primarily to photo red light citations, speed camera citations, and library and parking fines (excluding the County's four Parking Districts). The Recommended Budget for FY11 assumes that fines and

forfeitures will increase a meager \$10,450 ($\uparrow 0.04\%$) over the revised estimates for FY10, resulting in \$26.0 million in available resources in FY11.

College Tuition

Although College tuition is no longer included in the County Council Spending Affordability Guideline Limits (SAG), it remains in the tax supported College Current Fund. Calculation of the aggregate operating budget is under the SAG Limits. Tuition revenue depends on the number of registered students and the tuition rate. The Recommended Budget for FY11 assumes an increase of 1.8 percent over the revised projections for FY10 resulting in \$76.6 million in available resources in FY11.

Investment Income

Investment income includes the County's pooled investment and non-pooled investment and interest income of other County agencies and funds. The County operates an investment pool directed by an investment manager who invests all County funds using an approved, prudent investment policy. The pool includes funds from tax supported funds as well as from Enterprise Funds, municipal taxing districts, and other governmental agencies. Two major factors determine pooled investment income: (1) the average daily investment balance which is affected by the level of revenues and expenditures, fund balances, and the timing of bond and commercial paper issues; and (2) the average yield percentage which reflects short-term interest rates and may vary considerably during the year.

The revised FY10 estimate of pooled investment income of \$1.8 million assumes a 0.31 percent yield on equity and an average daily balance of \$582.3 million. The FY11 projected estimate of \$5.2 million assumes an increase to a 0.85 percent yield and a slightly higher average daily balance of \$606.3 million. Reflecting robust growth in revenues in the second half of the 1990s, the amount of available funds for investments, measured by the daily cash balance, doubled between FY93 (\$437.2 million) and FY00 (\$890.5 million). As a result of weak economic and revenue conditions starting in calendar year 2001, the cash balance declined from \$890.5 million to \$566.0 million between FY00 and FY04. Because of the economic and revenue outlook, the cash balance rebounded to \$710.2 million in FY05, \$883.6 million in FY06, \$930.5 million in FY07, \$971.4 million in FY08, but declined dramatically to \$695.7 million in FY09. Using current revenue projections, the daily cash balance is expected to decline to \$582.3 million in FY10 but rebound over the following six fiscal years to \$742.2 million by FY16. Yields have fluctuated significantly over time due to changes in the targeted federal funds rate set by the Federal Open Market Committee (FOMC) of the Federal Reserve Bank. Since August 2007, the FOMC has reduced the target rate for federal funds from 5.25 percent to a range of 0.00-0.25 percent in December 2008 and is expected to remain at that range through the remainder of FY10. The revisions to the FY10 estimate for pooled investments was revised downward to incorporate the significant decline in the average daily balance while the federal funds futures market expects no rate adjustments until the latter part of calendar year 2010.

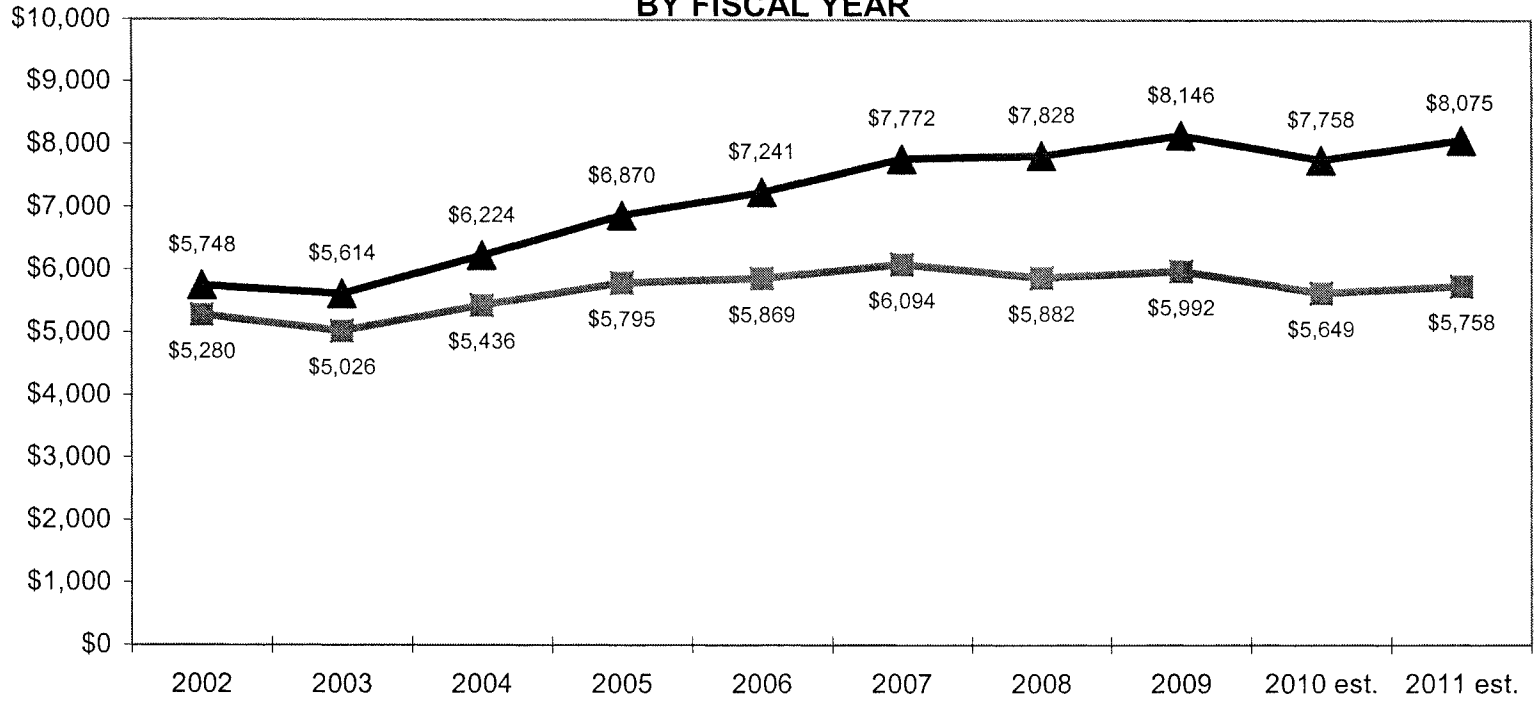
Other Miscellaneous

The County receives miscellaneous income from a variety of sources, the largest of which are rental income for the use of County property, operating revenue from the Conference Center, and prior year encumbrance liquidations. These three categories make up 59.1 percent of the total \$15.2 million projected for FY11.

TRENDS AND PROJECTIONS								
DEMOGRAPHIC AND PLANNING INDICATORS	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
POPULATION	957,200	966,000	978,000	989,000	1,001,000	1,013,000	1,025,000	1,035,000
Annual Increase	8,500	8,800	12,000	11,000	12,000	12,000	12,000	10,000
Population Growth Since 2002	5.7%	6.6%	7.9%	9.2%	10.5%	11.8%	13.1%	14.2%
County Resident Births (Prior Calendar Year)	13,681	13,850	14,010	14,160	14,300	14,420	14,530	14,640
HOUSEHOLDS	359,000	362,000	367,000	371,000	376,000	381,000	386,000	390,000
Household Annual Growth (%)	0.7%	0.8%	1.4%	1.1%	1.3%	1.3%	1.3%	1.0%
Household Growth Since 2002	7.3%	8.2%	9.7%	10.9%	12.4%	13.9%	15.4%	16.6%
Household Growth Since 1992	23.3%	24.3%	26.0%	27.4%	29.1%	30.8%	32.6%	33.9%
Household Size	2.67	2.67	2.66	2.67	2.66	2.66	2.66	2.65
RESIDENT EMPLOYMENT (Jan = Calendar Year)	485,762	487,316	495,462	508,034	519,706	526,368	533,246	541,331
Resident Employment Annual Growth (%)	-2.3%	0.3%	1.7%	2.5%	2.3%	1.3%	1.3%	1.5%
Resident Employment Growth Since 2002	1.5%	1.9%	3.6%	6.2%	8.6%	10.0%	11.5%	13.2%
Resident Employment Per Household	1.35	1.35	1.35	1.37	1.38	1.38	1.38	1.39
Jobs in County	504,694	506,000	511,600	518,000	524,700	532,000	540,000	548,400
PERSONAL INCOME (\$ Millions)	\$66,060	\$67,430	\$70,020	\$73,420	\$77,520	\$81,850	\$86,150	\$89,650
Per Capita Personal Income	\$69,000	\$69,800	\$71,600	\$74,200	\$77,400	\$80,800	\$84,000	\$86,600
Annual Growth (%)	-0.4%	1.2%	2.6%	3.6%	4.3%	4.4%	4.0%	3.1%
CONSUMER PRICE INDEX (CPI) - Fiscal Year	2.15%	1.03%	2.10%	2.25%	2.45%	2.60%	2.80%	3.00%
Inflation Growth (Fiscal Year) Since 2002 (%)	-4.4%	-54.2%	-6.7%	0.0%	8.9%	15.6%	24.4%	33.3%
CONSUMER PRICE INDEX (CPI) - Calendar Year (%)	0.06%	2.00%	2.20%	2.30%	2.55%	2.65%	2.90%	3.05%
ASSESSABLE TAX BASE (\$ Millions)	\$162,054	\$172,778	\$174,623	\$179,088	\$188,154	\$197,355	\$211,266	\$227,240
Annual Growth (%)	10.8%	6.6%	1.1%	2.6%	5.1%	4.9%	7.0%	7.6%
Growth of Base Since 1992 (%)	170.9%	188.8%	191.9%	199.4%	214.5%	229.9%	253.2%	279.9%
Growth of Base Since 2002 (%)	98.2%	111.3%	113.5%	119.0%	130.1%	141.3%	158.3%	177.9%
INVESTMENT INCOME YIELD (%)	1.71%	0.26%	0.85%	1.80%	3.25%	4.00%	4.50%	4.75%
MCPS ENROLLMENT (Sept = Calendar Year)	139,276	141,777	143,309	144,356	145,241	146,048	146,922	148,043
Annual Growth (%)	1.1%	1.8%	1.1%	0.7%	0.6%	0.6%	0.6%	0.8%
Annual Increase (Decrease)	1,531	2501	1532	1047	885	807	874	1121
MONTGOMERY COLLEGE ENROLLMENTS (a)	24,452	26,144	26,763	27,054	27,192	27,193	27,198	27,198
Annual Growth (%)	2.46%	6.92%	2.37%	1.09%	0.51%	0.00%	0.02%	0.00%
Full Time Equivalents (Sept = Calendar Year) (a)	20,352	21,694	22,023	22,340	22,541	22,657	22,770	22,770
Annual Growth in FTE's (%)	3.20%	6.59%	1.52%	1.44%	0.90%	0.51%	0.50%	0.00%

(a) Projections related to Montgomery College Enrollments and Full Time Equivalents are provided by Montgomery College and only include projections thru FY15. Since no projections are provided for FY16, the projections for FY15 were used for FY16.

AVERAGE HOUSEHOLD TAX BURDEN MONTGOMERY COUNTY BY FISCAL YEAR

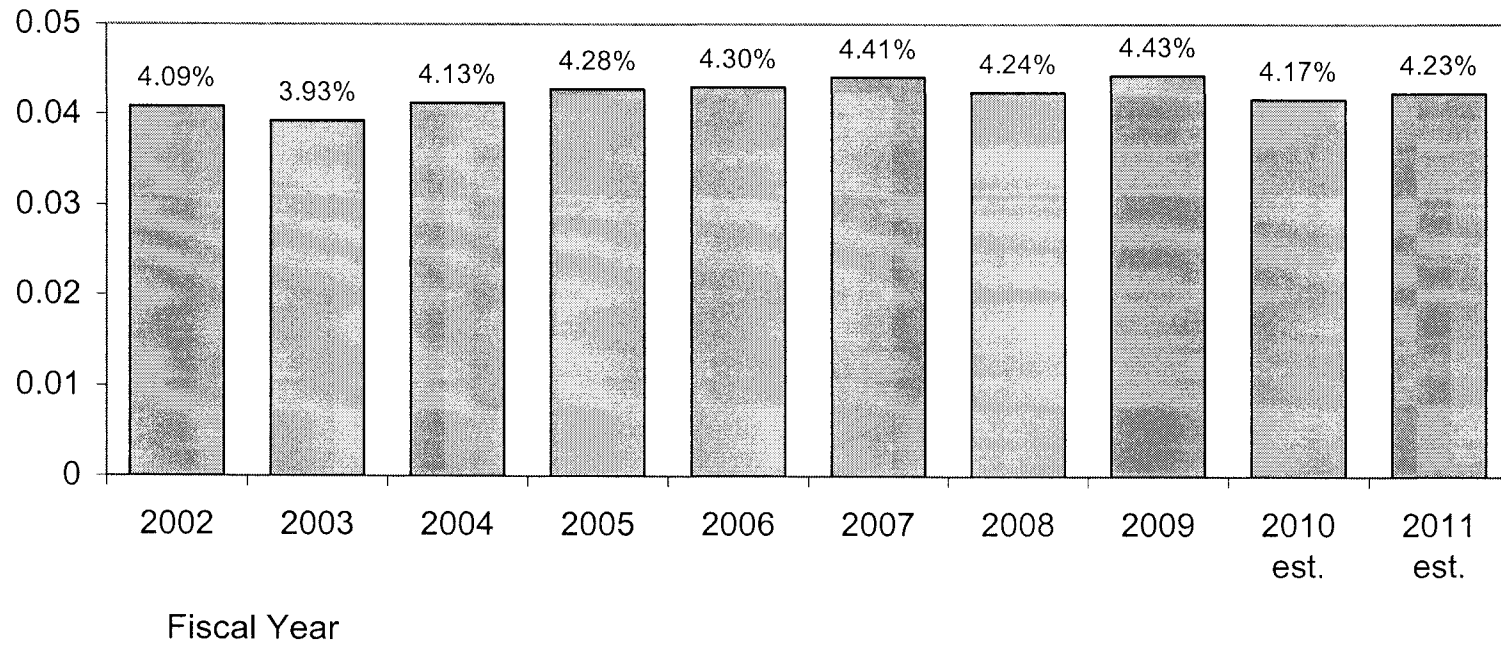


▲ HOUSEHOLD BURDEN

■ REAL BURDEN 1999=100

Prepared by Montgomery County Department of Finance

COUNTY TAXES AS A SHARE OF PERSONAL INCOME MONTGOMERY COUNTY



Prepared by Montgomery County Department of Finance

FY11 FEE AND FINE CHANGES*			
DEPARTMENT/FEE AND FINE	FY11 REVENUE CHANGE	METHOD OF CHANGE	NOTE
MONTGOMERY COLLEGE			
Tuition rate increase	2,100,000	Board of Trustees action	Increase per semester hour rate from \$102 to \$105 for County residents, \$209 to \$215 for State residents, and \$284 to \$293 for non-residents.
ENVIRONMENTAL PROTECTION			
Water Quality Protection Charge	847,610	Council Resolution	Increase from \$45.50 per equivalent unit (ERU) to \$49.00 per (ERU) to cover increased expenditures in the Water Quality Protection Fund.
FIRE RESCUE SERVICE			
Ambulance/Emergency Transport Fee	14,700,000	Executive Regulation	To provide needed resources for MCFRS.
PUBLIC LIBRARIES			
Library Holds Not Picked Up	10,000	Library Board Approved	A new fine for placing holds and not picking them up.
RECREATION			
Activity Fees	50,000	Executive Regulation 12-05 Method 3	Charge an annual fee of \$25 per person for Silver Sneakers Program
TRANSIT SERVICES			
Ride On Bus Fare	615,000	Council Resolution	Increase regular cash fare or token to \$1.45, the regular fare paid with SmarTrip to \$1.35, the express route cash fare to \$3.20 and express routes SmarTrip fare to \$3.10, the Metrorail-to Ride On bus transfer to \$0.85 and the regional one day pass to \$3.20. Effective 3-1-10
Ride On Bus Fare	905,000	Council Resolution	Increase regular cash fare or token to \$1.60, the regular fare paid with SmarTrip to \$1.50, the express route cash fare to \$3.35 and express route SmarTrip fare to \$3.25, the Metrorail-to-Ride On bus transfer to \$1.00 and the regional one day pass to \$3.50. Effective 7-4-10
DEPARTMENT OF TRANSPORTATION			
Parking Fines	980,940	Council Resolution	Raise all parking fines by \$5 except those for parking in a fire lane or handicapped space, or illegal commercial vehicle parking. Effective 4-1-10
Parking Fees - Bethesda	670,600	Council Resolution	Raise Lon-Term Parking Fee from \$0.65 Per Hour to \$0.75 Per Hour
Parking Fees - Silver Spring	798,000	Council Resolution	Raise Long-Term Parking Fee from \$0.50 Per Hour to \$0.60 Per Hour
Decrease Vacuum Leaf Collection Fees	-370,060	Council Resolution	Decrease single family charge per household from \$93.96 to \$88.91 and decrease multi-family charge per unit from \$4.06 to \$3.83.
SOLID WASTE SERVICES			
Decrease Solid Waste Collection Fee	7,250	Council Resolution	Decrease single family charge per household from \$75 to \$74; increase in revenue due to increased number of households.
GRAND TOTAL	21,314,340		

* All changes are assumed to be effective July 1, 2010 except as noted.

Revenues above do not include implementation costs.

PROJECTED TOTAL USES OF RESOURCES (COMBINED USES)

(\$ Millions)

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
USE OF RESOURCES	App. FY10	Estimate FY10	% Chg. FY10-11	% Chg. FY10-11	Projected FY11	% Chg. FY11-12	Projected FY12	% Chg. FY12-13	Projected FY13	% Chg. FY13-14	Projected FY14	% Chg. FY14-15	Projected FY15	% Chg. FY15-16	Projected FY16
	5-21-09	3-6-10	Rec / Bud	Rec / Est	3-6-10										
1 Total Resources															
2 Revenues	3,804.9	3,654.3	-0.3%	3.8%	3,793.6	2.9%	3,903.5	3.6%	4,044.2	4.2%	4,214.1	5.1%	4,429.3	4.1%	4,612.2
3 Beginning Reserves Undesignated	115.5	110.2	-48.7%	-46.2%	59.3	135.1%	139.4	35.2%	188.6	6.1%	200.0	5.5%	210.9	6.4%	224.5
4 Beginning Reserves Designated	0.0	0.0			0.0		0.0		0.0		0.0		0.0		0.0
5 Net Transfers In	37.2	51.4	-12.2%	-36.5%	32.7	-57.0%	14.0	2.4%	14.4	2.6%	14.8	2.8%	15.2	3.0%	15.6
6 Total Resources	3,957.7	3,815.9	-1.8%	1.8%	3,885.6	4.4%	4,056.9	4.7%	4,247.1	4.3%	4,428.8	5.1%	4,655.4	4.2%	4,852.3
7 \$ Change from prior Budget	77.0	(64.7)			69.7		171.3		190.2		181.7		226.6		196.9
8 Uses: Non-Agency															
9 Capital Investment (a)															
10 Debt Service: GO Bonds for all Agys.	224.8	221.3	5.5%	7.2%	237.1	11.9%	265.3	10.5%	293.3	7.5%	315.4	6.4%	335.4	6.0%	355.7
11 Debt Service: Local Parks	5.0	5.0	-0.3%	-0.3%	4.9	0.0%	4.9	0.0%	4.9	0.0%	4.9	0.0%	4.9	0.0%	4.9
12 Debt Service: Leases	21.7	17.6	5.9%	30.5%	23.0	11.0%	25.5	27.2%	32.4	18.5%	38.4	2.7%	39.4	-16.4%	33.0
13 CIP Current Revenue	30.7	24.6	-10.1%	12.3%	27.6	46.7%	40.6	40.4%	56.9	42.2%	81.0	3.9%	84.2	-24.7%	63.4
14 CIP Paygo	1.3	0.3	-100.0%	-100.0%	0.0	0.0%	32.5	0.0%	32.5	0.0%	32.5	0.0%	32.5	0.0%	32.5
14a CIP Paygo Rec Tax	0.0	0.0	0.0%	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0
15 Sub-total Capital	283.5	268.8	3.2%	8.9%	292.7	26.0%	368.8	13.9%	420.1	12.4%	472.2	5.1%	496.5	-1.4%	489.5
16 Other Uses															
17 Set Aside: Potential Supplementals	0.0	63.1			0.0		20.0		20.0		20.0		20.0		20.0
18 Set Aside: Other Claims	2.5	0.0			0.3		2.5		2.5		2.5		0.0		0.0
19 Revenue Stabilization Fund	0.0	(102.0)			37.2		0.0		0.0		0.0		0.0		0.0
20 Sub-total Other	2.5	(38.9)			37.4		22.5		22.5		22.5		20.0		20.0
21 Reserves															
22 Revenue Stabilization Fund	119.6	17.7	-54.2%	210.0%	54.8	0.0%	54.8	0.0%	54.8	0.0%	54.8	0.0%	54.8	0.0%	54.8
23 Reserve Undesignated	76.2	59.3	83.0%	135.1%	139.4	135.2%	188.6	6.1%	200.0	5.5%	210.9	6.4%	224.5	5.3%	236.3
24 Reserve Designated	0.0	0.0			0.0		0.0		0.0		0.0		0.0		0.0
25 Sub-total Reserves	195.8	77.0	-0.8%	152.3%	194.3	25.3%	243.4	4.7%	254.8	4.3%	265.7	5.1%	279.3	4.2%	291.1
26 Less Revenue Stabilization Fund	(119.6)	(17.7)	-54.2%	210.0%	(54.8)	0.0%	(54.8)	0.0%	(54.8)	0.0%	(54.8)	0.0%	(54.8)	0.0%	(54.8)
27 Less Designated Reserve	0.0	0.0			0.0		0.0		0.0		0.0		0.0		0.0
28 Sub-total Undesignated Reserves	76.2	59.3	83.0%	135.1%	139.4	35.2%	188.6	6.1%	200.0	5.5%	210.9	6.4%	224.5	5.3%	236.3
29 Total Uses: Non-Agency	362.2	289.2	29.6%	62.3%	469.5	23.5%	579.9	10.8%	642.6	9.8%	705.6	5.0%	741.0	0.6%	745.8
30 Uses: Available for Agency Services	3,595.4	3,526.7	-5.0%	-3.1%	3,416.1	1.8%	3,477.0	3.7%	3,604.5	3.3%	3,723.2	5.1%	3,914.4	4.9%	4,106.6
31 \$ Change from prior Budget	111.5	42.7			(110.6)		60.9		127.5		118.7		191.2		192.1

(a) See separate displays elsewhere in this book for allocation of Debt Service and CIP Current Revenue by Agency (A-3 Schedule).

(b) FY11-16 PAYGO, and CIP Current Revenue as recommended by the County Executive on January 15, 2010, with further changes to be transmitted shortly.

**REVENUE SUMMARY
TAX SUPPORTED BUDGETS
(\$ Millions)**

A KEY REVENUE CATEGORIES	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
	App FY10	Estimate FY10	% Chg. FY10-11 Rec/Bud	% Chg. FY10-11 Rec/Est	Rec. FY11 3-5-10	% Chg. FY11-12 FY12	Projected FY12	% Chg. FY12-13 FY13	Projected FY13	% Chg. FY13-14 FY14	Projected FY14	% Chg. FY14-15 FY15	Projected FY15	% Chg. FY15-16 FY16	Projected FY16
TAXES	5-21-09	3-5-10													
1 Property Tax (less PDs)	1,440.9	1,432.2	0.6%	1.2%	1,449.9	2.8%	1,489.9	3.0%	1,534.9	3.1%	1,582.6	3.4%	1,635.9	2.4%	1,675.3
2 Income Tax	1,214.8	1,094.6	-4.4%	6.1%	1,160.9	5.8%	1,227.8	6.5%	1,308.0	7.2%	1,401.6	9.6%	1,536.1	7.8%	1,656.3
3 Transfer Tax	65.0	68.7	16.4%	10.2%	75.7	17.0%	88.5	-1.9%	86.8	8.9%	94.5	7.3%	101.4	5.1%	106.6
4 Recordation Tax	51.9	46.1	-1.7%	10.6%	51.0	17.3%	59.8	-2.5%	58.4	8.5%	63.3	7.8%	68.3	5.1%	71.8
4a Recordation Tax Premium	6.5	0.0	26.3%	0.0%	8.2	-100.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0
5 Energy Tax	130.4	132.2	42.0%	40.0%	185.1	2.7%	190.1	3.0%	195.8	2.7%	201.1	2.5%	206.2	2.1%	210.6
6 Telephone Tax	32.8	29.5	-6.9%	3.5%	30.6	3.2%	31.6	3.4%	32.6	3.7%	33.8	3.9%	35.1	4.2%	36.6
7 Hotel/Motel Tax	20.0	15.8	-13.3%	9.7%	17.4	1.7%	17.7	0.0%	17.7	-0.1%	17.6	0.1%	17.7	1.0%	17.8
8 Admissions Tax	2.1	2.1	-4.1%	-0.7%	2.0	-4.3%	2.0	-4.0%	1.9	-3.8%	1.8	-3.7%	1.7	-3.7%	1.7
9 Total Local Taxes	2,964.4	2,821.2	0.6%	5.7%	2,980.7	4.2%	3,107.4	4.1%	3,236.1	5.0%	3,396.4	6.1%	3,602.3	4.8%	3,776.6
INTERGOVERNMENTAL AID															
10 Highway User	10.3	1.0	-91.4%	-8.5%	0.9	2.3%	0.9	2.5%	0.9	2.6%	1.0	2.8%	1.0	3.0%	1.0
11 Police Protection	13.5	8.2	-39.3%	0.0%	8.2	1.1%	8.3	1.2%	8.4	1.2%	8.5	1.2%	8.6	1.0%	8.7
12 Libraries	5.4	5.4	0.0%	0.0%	5.4	1.1%	5.5	1.2%	5.5	1.2%	5.6	1.2%	5.7	1.0%	5.7
13 Health Services Case Formula	5.3	3.6	-31.5%	0.0%	3.6	2.3%	3.7	2.5%	3.8	2.6%	3.9	2.8%	4.0	3.0%	4.1
14 Mass Transit	22.8	44.9	0.1%	-49.2%	22.8	2.3%	23.3	2.5%	23.9	2.6%	24.5	2.8%	25.2	3.0%	26.0
15 Public Schools	440.1	441.1	11.0%	10.7%	488.5	0.0%	488.5	0.0%	488.5	0.0%	488.5	0.0%	488.5	0.0%	488.5
16 Community College	32.5	30.9	-4.8%	0.2%	30.9	0.0%	30.9	0.0%	30.9	0.0%	30.9	0.0%	30.9	0.0%	30.9
17 Direct Reimbursements	27.8	20.0	2.7%	2.7%	14.1	2.8%	14.5	3.1%	15.0	3.2%	15.4	3.4%	16.0	3.5%	16.5
17a Direct Reimb: DSS Services	0.0	0.0	n/a	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0
18 Other	10.0	10.0	2.7%	2.7%	9.4	2.8%	9.7	3.1%	10.0	3.2%	10.3	3.4%	10.6	3.5%	11.0
19 Subtotal State Aid	567.7	565.1	2.9%	3.3%	583.9	0.2%	585.3	0.3%	586.9	0.3%	588.6	0.3%	590.5	0.3%	592.4
20 Federal Aid	1.7	4.4	1.4%	1.4%	30.6	1.4%	5.6	1.5%	5.7	1.6%	5.8	1.7%	5.9	1.7%	6.0
21 Total Intergovernmental Aid	569.3	569.5	7.9%	7.9%	614.4	-3.8%	590.9	0.3%	592.6	0.3%	594.4	0.3%	596.4	0.3%	598.5
FEES AND FINES															
22 Licenses & Permits	11.8	12.3	1.5%	1.5%	12.1	1.5%	12.3	1.5%	12.5	1.5%	12.7	1.5%	12.8	1.5%	13.0
23 Charges for Services	48.8	48.4	1.7%	1.7%	64.9	1.8%	66.0	2.0%	67.3	2.1%	68.7	2.2%	70.3	2.4%	72.0
24 Fines & Forfeitures	38.0	26.0	1.6%	1.6%	26.0	1.6%	26.4	1.6%	26.8	1.6%	27.3	1.6%	27.7	1.6%	28.1
25 Montgomery College Tuition	71.1	75.3	7.7%	1.8%	76.6	1.8%	78.0	2.0%	79.5	2.1%	81.2	2.2%	83.0	2.4%	85.0
26 Total Fees and Fines	169.8	162.0	5.8%	10.8%	179.6	1.8%	182.7	1.9%	186.2	2.0%	189.8	2.1%	193.8	2.2%	198.1
MISCELLANEOUS															
27 Investment Income	5.9	1.3	-38.2%	171.0%	3.6	88.3%	6.9	95.1%	13.4	28.0%	17.1	16.8%	20.0	8.8%	21.7
28 Other Miscellaneous	95.5	100.2	2.1%	2.1%	15.2	2.3%	15.6	2.5%	15.9	2.6%	16.3	2.8%	16.8	3.0%	17.3
29 Total Miscellaneous	101.4	101.6	-81.4%	-81.4%	18.9	18.9%	22.4	30.8%	29.3	14.2%	33.5	9.9%	36.8	6.1%	39.0
30 TOTAL REVENUES	3,804.9	3,654.3	-0.3%	3.8%	3,793.6	2.9%	3,903.5	3.6%	4,044.2	4.2%	4,214.1	5.1%	4,429.3	4.1%	4,612.2
31 \$ Change from prior Budget	123.9	(26.7)			139.3		109.8		140.7		169.9		215.2		182.9

County Executive's Recommended FY11-16 Public Services Program Tax Supported Fiscal Plan Summary

(\$ in Millions)															
	App. FY10	Est. FY10	% Chg. FY10-11 Rec/Bud	% Chg. FY10-11 Rec/Est	Rec. FY11	% Chg. FY11-12	Projected FY12	% Chg. FY12-13	Projected FY13	% Chg. FY13-14	Projected FY14	% Chg. FY14-15	Projected FY15	% Chg. FY15-16	Projected FY16
Total Resources	5-21-09	3-15-10	Rec/Bud	Rec/Est	3-15-10										
Revenues	3,804.9	3,654.3	-0.3%	3.8%	3,793.6	2.9%	3,903.5	3.6%	4,044.2	4.2%	4,214.1	5.1%	4,429.3	4.1%	4,612.2
Beginning Reserves Undesignated	115.5	110.2	-48.7%	-46.2%	59.3	135.1%	139.4	35.2%	188.6	6.1%	200.0	5.5%	210.9	6.4%	224.5
Beginning Reserves Designated	-	-	0.0%	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Net Transfers In (Out)	37.2	51.4	-12.2%	-36.5%	32.7	-57.0%	14.0	2.4%	14.4	2.6%	14.8	2.8%	15.2	3.0%	15.6
Total Resources Available	3,957.7	3,815.9	-1.8%	1.8%	3,885.6	4.4%	4,056.9	4.7%	4,247.1	4.3%	4,428.8	5.1%	4,655.4	4.2%	4,852.3
Less Other Uses of Resources (Capital, Debt Service, Reserve)	362.2	289.2	29.6%	62.3%	469.5	23.5%	579.9	10.8%	642.6	9.8%	705.6	5.0%	741.0	0.6%	745.8
Available to Allocate to Agencies	3,595.4	3,526.7	-5.0%	-3.1%	3,416.1	1.8%	3,477.0	3.7%	3,604.5	3.3%	3,723.2	5.1%	3,914.4	4.9%	4,106.6
Agency Uses															
Montgomery County Public Schools (MCPS)	2,020.1	1,989.9	-3.9%	-2.5%	1,940.5	5.8%	2,053.3	5.8%	2,172.6	5.8%	2,298.8	5.8%	2,432.4	5.8%	2,573.7
Montgomery College (MC)	217.5	214.5	-3.8%	-2.4%	209.2	6.0%	221.9	6.0%	235.3	6.0%	249.5	6.0%	264.6	6.0%	280.5
MNCPPC (w/o Debt Service)	106.6	103.2	-14.1%	-11.3%	91.6	3.8%	95.1	3.8%	98.8	3.9%	102.6	3.9%	106.5	3.9%	110.6
MCG	1,251.2	1,219.1	-6.1%	-3.6%	1,174.7	5.1%	1,235.1	5.1%	1,298.6	5.1%	1,365.3	5.1%	1,435.5	5.1%	1,509.3
Subtotal Agency Uses	3,595.4	3,526.7	-5.0%	-3.1%	3,416.1	5.5%	3,605.4	5.5%	3,805.2	5.5%	4,016.2	5.5%	4,239.0	5.5%	4,474.1
Retiree Health Insurance Pre-Funding															
Montgomery County Public Schools (MCPS)	-	-	-	-	-	-	53.2	-	64.8	-	76.4	-	87.7	-	92.1
Montgomery College (MC)	-	-	-	-	-	-	1.0	-	1.2	-	1.3	-	1.4	-	1.5
MNCPPC (w/o Debt Service)	-	-	-	-	-	-	4.4	-	5.1	-	5.6	-	6.1	-	6.4
MCG	-	-	-	-	-	-	25.0	-	31.5	-	38.4	-	44.6	-	46.8
Subtotal Retiree Health Insurance Pre-Funding	-	-	-	-	-	-	83.6	-	102.6	-	121.7	-	139.8	-	146.8
Subtotal Other Uses of Resources (Capital, Debt Service, Reserve)	362.2	289.2	29.6%	62.3%	469.5	23.5%	579.9	10.8%	642.6	9.8%	705.6	5.0%	741.0	0.6%	745.8
Total Uses	3,957.7	3,815.9	-1.8%	1.8%	3,885.6	9.9%	4,268.9	6.6%	4,550.4	6.4%	4,843.5	5.7%	5,119.7	4.8%	5,366.7
(Gap)/Available	-	-			0.0		(212.0)		(303.3)		(414.7)		(464.3)		(514.3)

Notes:

1. FY12-16 property tax revenues are at the Charter Limit assuming a tax credit.
2. Projected FY12-16 Agency Uses assume average 10-year rate of growth.
3. Reserves are restored to the policy level of 6% of total resources in FY12.
4. PAYGO restored to policy level in FY12.
5. Retiree Health Insurance assumed to resume at scheduled contribution levels in FY12.