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# 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 FY12 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 8.0 estimates 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 964,100 in 2010, will continue to increase an average of approximately 6,700 persons each year throughout the next seven years reaching over one million by 2015 and nearly 1,011,000 by 2017. This reflects an average annual growth rate of 0.7 percent, which is slightly below the average annual growth rate of 0.8 percent between 2006 and 2010.
- There were an estimated 360,500 households in the County in 2010 and current projections estimate the number of households to increase to 363,750 in 2011. Household growth throughout the subsequent six years is now projected to grow at an average annual rate of 1.0 percent. As a result, current projections estimate 385,270 households by 2017.
- The County's senior population continues to grow with an estimated 113,527 persons 65 and older living here in 2010 and projected to increase to 154,061 by 2020.
- County births, which are one indicator of future elementary school populations and child day care demand, are projected to gradually increase, from an estimated 13,360 in 2010 to 14,140 by 2015.
- Montgomery County Public School enrollments are projected to significantly increase over the next six years. The County expects an enrollment increase of 10,226 students from FY11 to FY17.
- Montgomery College enrollments are projected to increase from 26,085 in September 2011 to 26,352 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 FY12 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

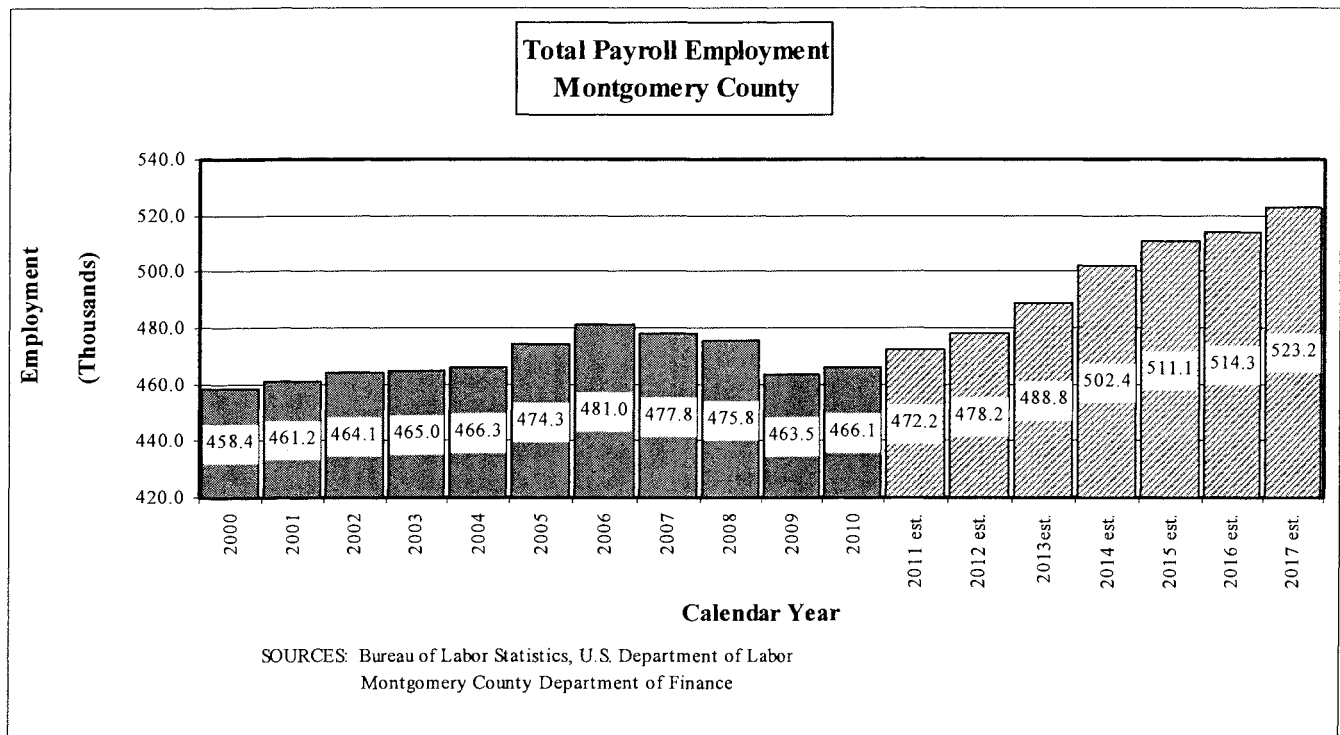
Revenue projections depend on the current and projected indicators of the national, regional, and local economy. National economic indicators also influence the County's revenue projections. Such indicators include short-term interest rates, mortgage interest rates, and the stock market. Local economic 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.

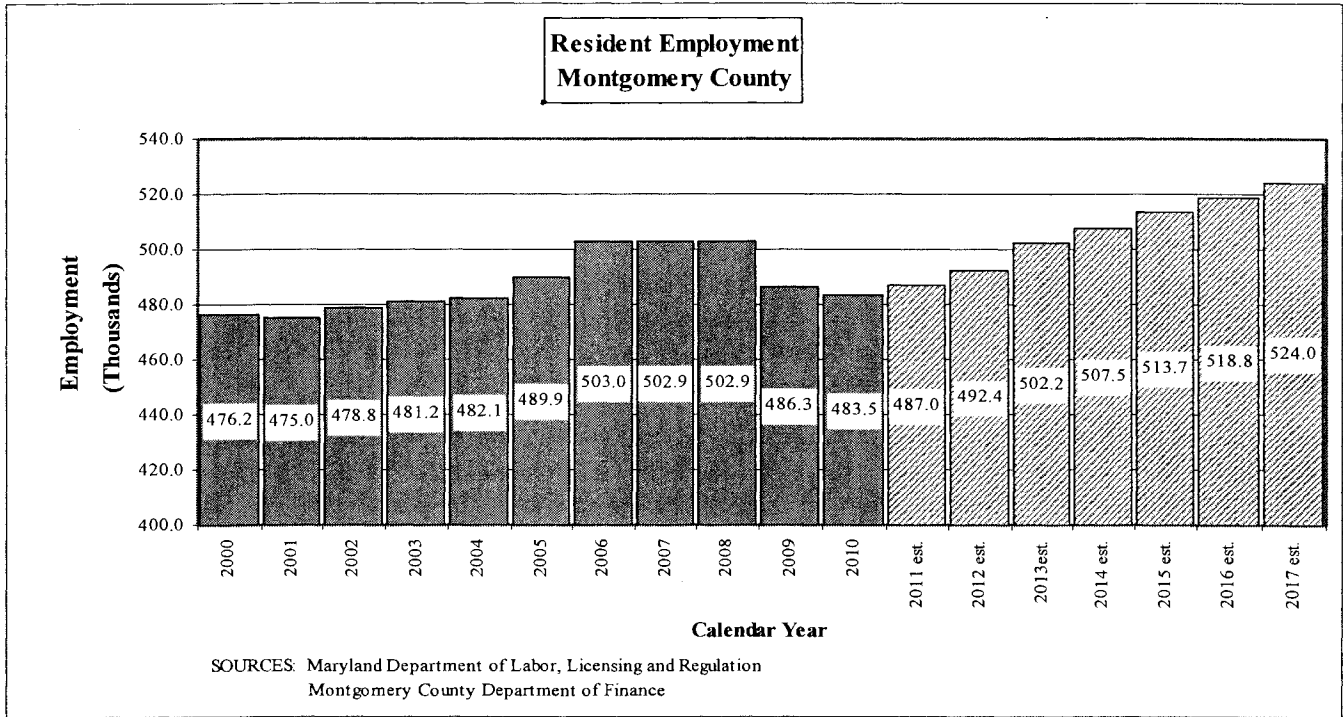
Impacted by the national recession and modest recovery, Montgomery County's economy continued to experience a slowdown in calendar year (CY) 2010. The primary indicators of the economic slowdown were a decline in housing sales during the second half of CY2010, a continuation of modest construction in single-family homes, and elevated unemployment rates that remained at historically high levels.

## Employment Situation

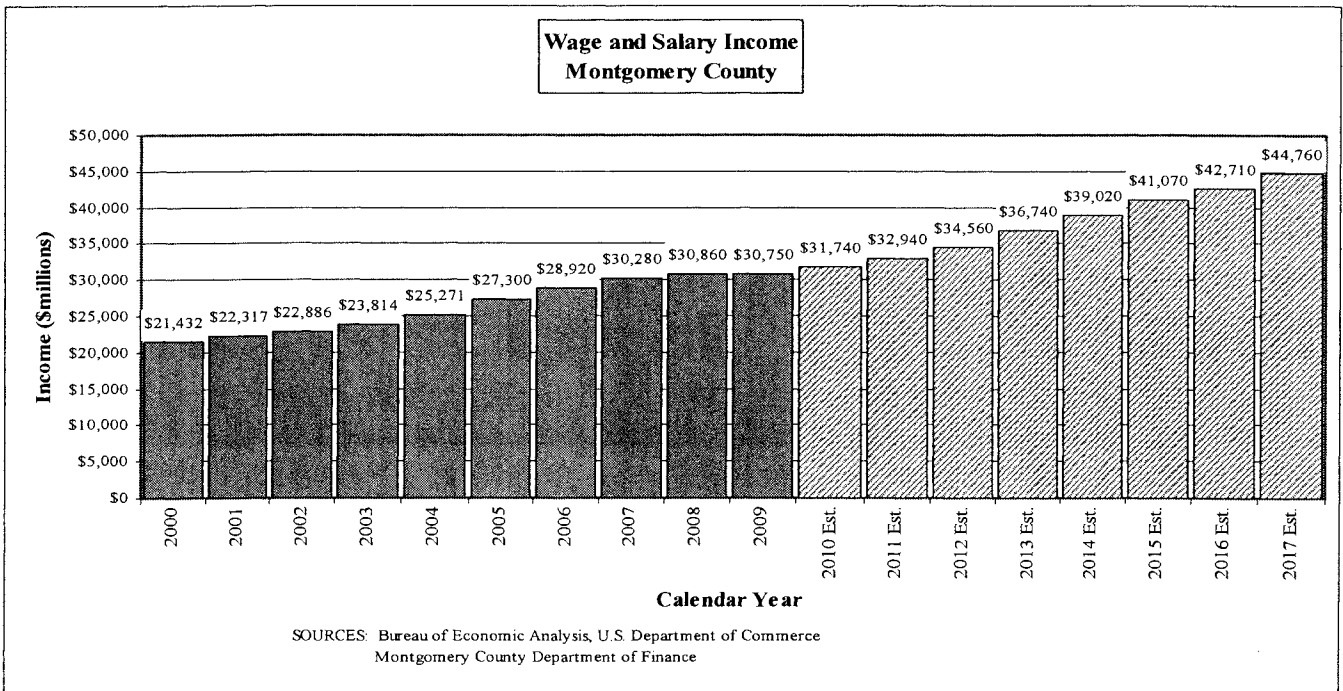
During the past eleven years (CY2000 – CY2010), total payroll employment in Montgomery County, which is based on the survey of establishments, experienced two distinct cycles: modest growth from 2000 to 2006 at an average annual rate of 0.8 percent, and a decline between 2006 and 2010 at an average annual rate of -0.8 percent. The Department of Finance (Finance) assumes payroll employment will rebound in 2011 and grow at an average annual rate of 1.7 percent between 2011 and 2017. In terms of the number of jobs added to the County's total payroll employment, an average of 8,000 new jobs per year is estimated between 2011 and 2017 with most of that growth occurring between 2013 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 at an average annual rate of 0.9 percent between 2000 and 2006 (compared to the 0.8 percent for payroll employment). Between 2006 and 2008, resident employment in the County experienced no growth and remained at the 503,000 level each year during that period. Following declines in employment in 2009 and 2010, Finance assumes that resident employment is expected to increase at an average annual rate of 1.2 percent from 2011 to 2017.



Finance expects wage and salary income to grow at an average annual rate of 4.7 percent between 2009, the latest date for which data are available from the Bureau of Economic Analysis, U.S. Department of Commerce, and 2017, compared to a rate of 5.0 between 2000 and 2006, and a modest rate of 2.0 percent between 2006 and 2009. Total wage and salary income is estimated to reach \$44.8 billion by 2017.

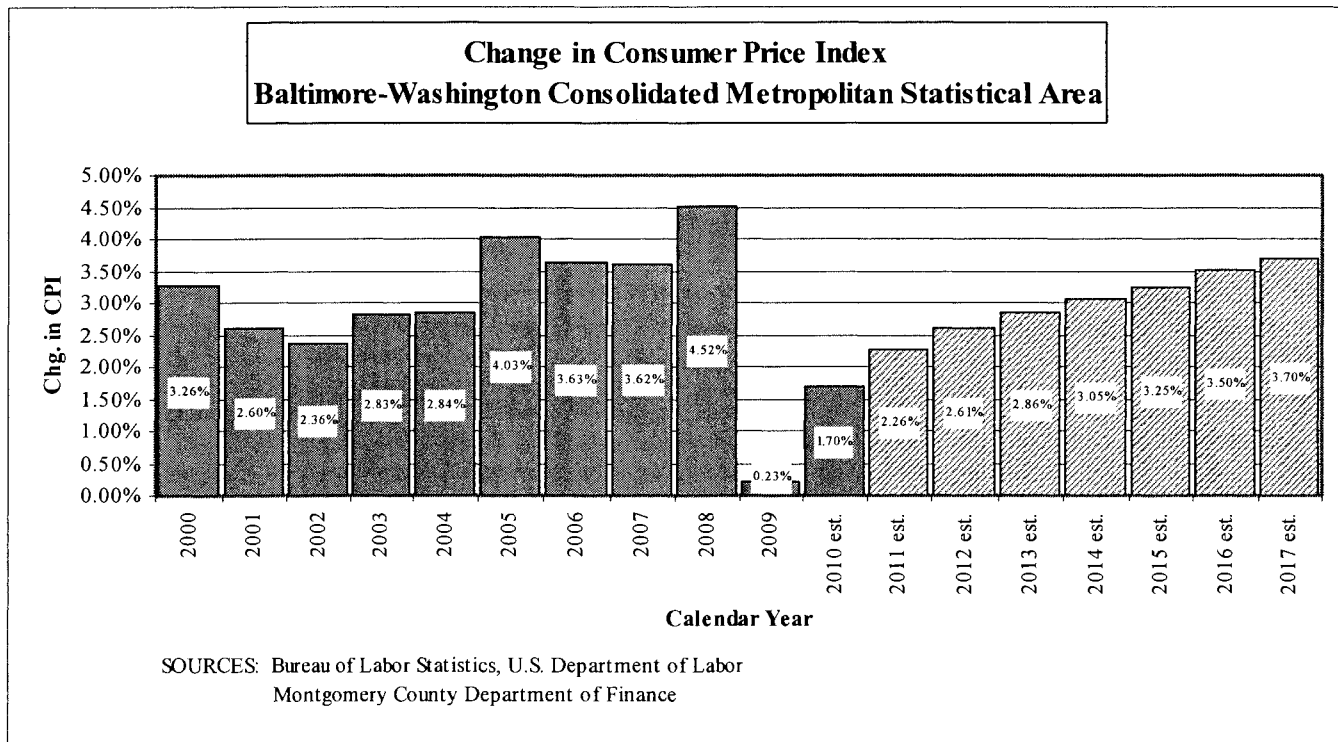


**Personal Income**

Finance estimates that total personal income in Montgomery County will grow at an average annual rate of 4.8 percent from 2009 to 2017, which is slightly lower than the previous ten-year average of 5.0 percent from 1999 to 2009. By 2017, Finance assumes that total personal income will reach \$94.7 billion.

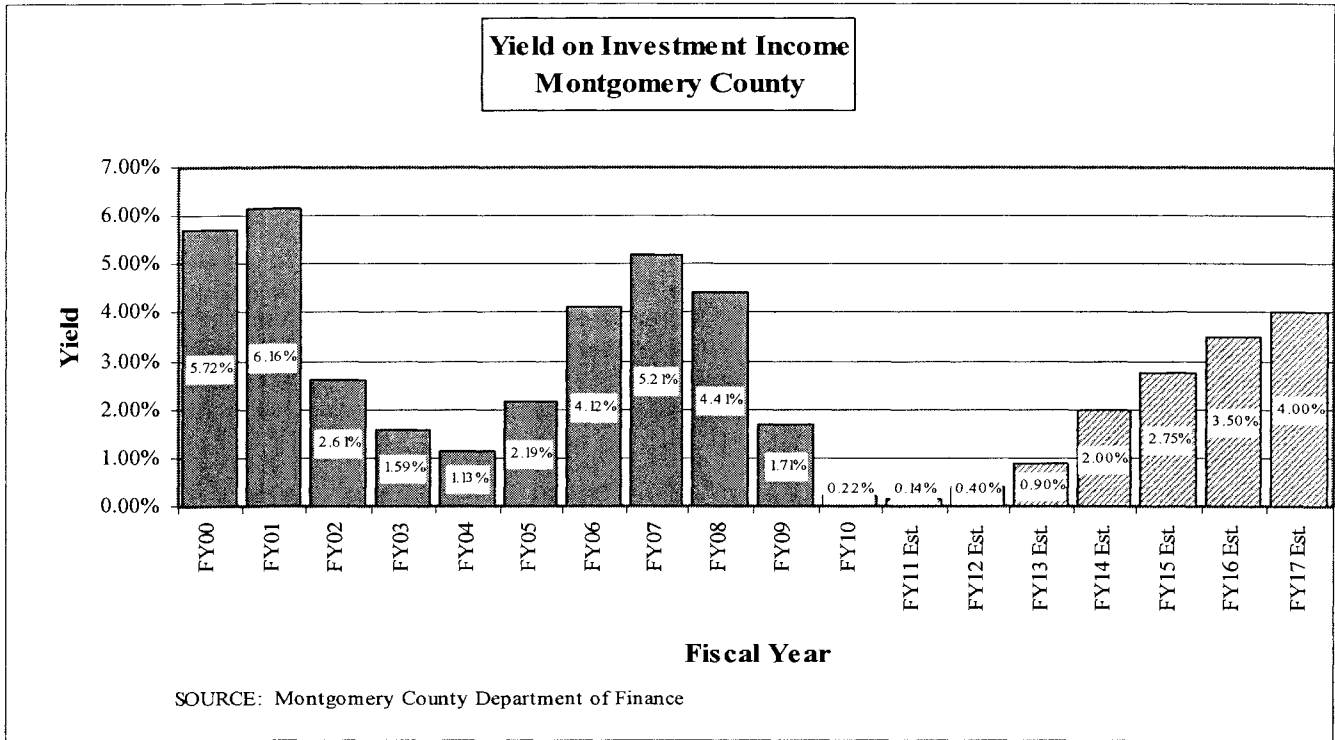
**Inflation**

As measured by the Consumer Price Index for All Urban Consumers (CPI-U), inflation in the Washington-Baltimore Consolidated Statistical Metropolitan Area was slightly above the national average in 2010 (1.7% compared to 1.6% through November, respectively). The “core” inflation rate, which is the CPI excluding the volatile food and energy prices, increased 1.4 percent for the region through November compared to the nation’s 1.0 percent. Finance assumes that overall inflation, which is the percent change in the annual regional index, will gradually increase from 1.7 percent in 2010 to 3.7 percent by 2017.



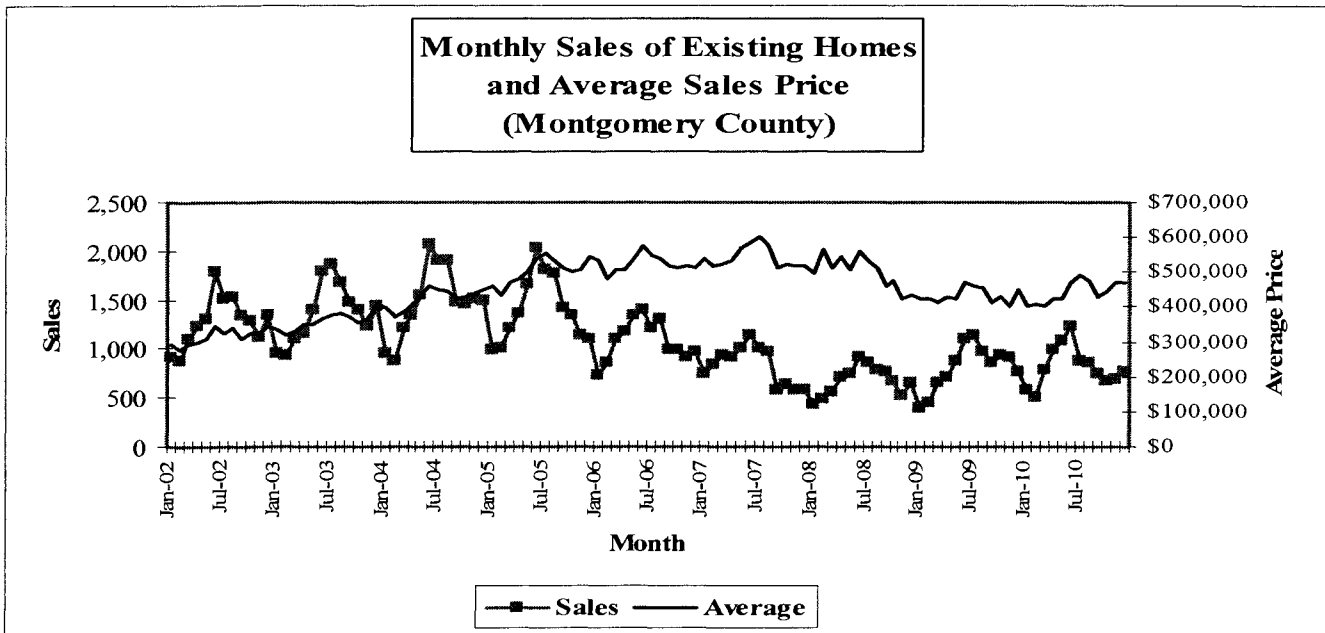
**Interest Rates**

From September 2007 to December 2008, the Federal Reserve Board, through its Federal Open Market Committee, aggressively cut the 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 Board of Trade), Finance assumes that the FOMC will maintain its current position of an effective target rate of 0.00-0.25 percent through the first half of this calendar year at which time interest rates may increase modestly during the second half. Since the yield on the County’s short-term investments are highly correlated with the federal funds rate, Finance estimates that the County will earn an average of barely above 0.00 percent in investment income on its short-term portfolio for fiscal year (FY) 2011 and 0.40 percent for FY2011.



### Real Estate Market

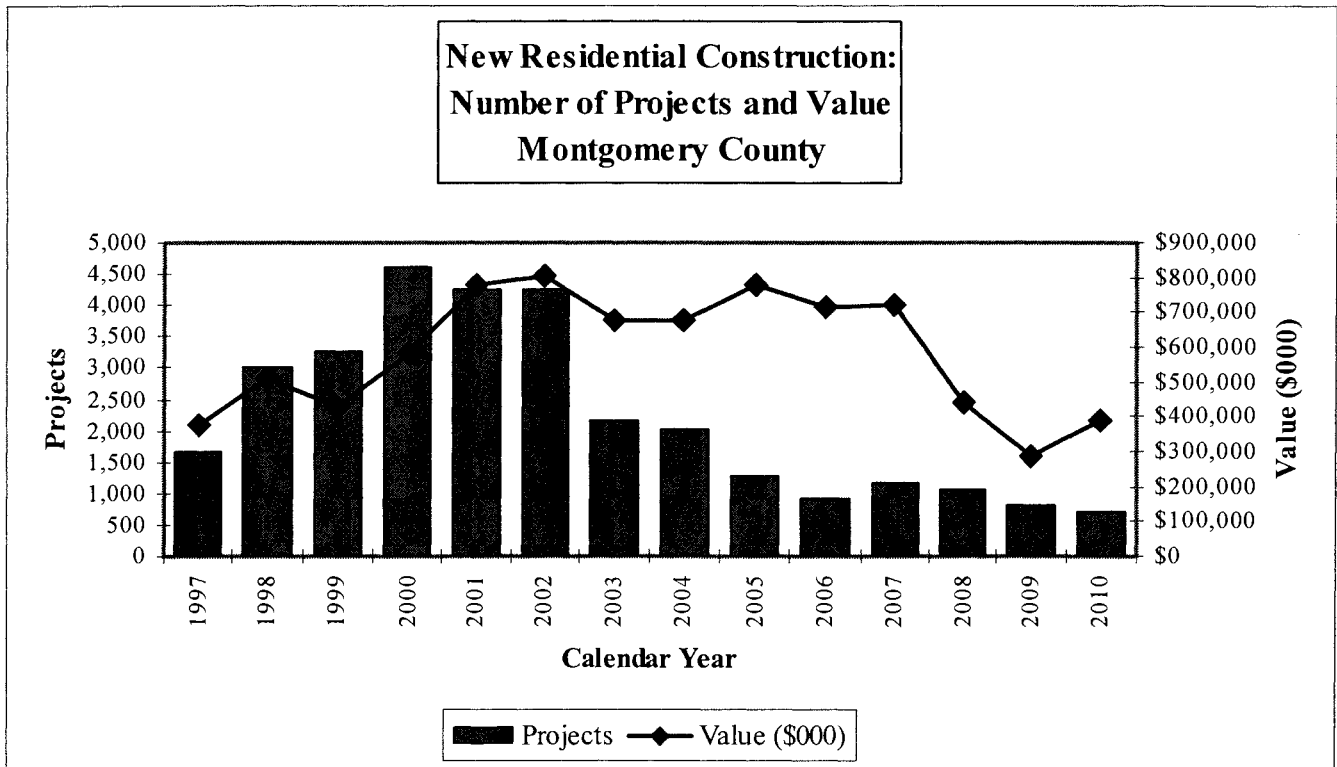
The housing market in Montgomery County experienced two different trends within CY2010: 1) a dramatic increase in home sales between January and June when the Federal Government's first-time home buyers credit was available and a dramatic decline since the expiration of the credit during the second half of CY2010, and 2) a continued decline in the average sales price between January and June and an increase during the second half of CY2010. Overall, existing home sales decreased 5.6 percent in 2010 which followed an increase of 21.8 percent in 2009. After two consecutive years of price declines in 2008 (↓8.4%) and in 2009 (↓13.8%), housing prices increased by less than 2.0 percent in 2010.



## 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 crucial 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 is McGraw-Hill Construction, formerly known as Dodge Analytics.

While the value of additional residential property increased 38.1 percent in 2010 (\$392.4 million), following decreases of 39.0 percent in 2008 and 35.3 percent in 2009, it remained significantly below the \$734.7 million average between 2001 and 2007. The number of new single-family units was 564 compared to 775 in 2009 – a decrease of 27.2 percent.



## 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.

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## **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 Amendments to the FY11-16 Capital Improvements Program (as of January 15, 2011). Current revenue adjustments to the January 15, 2011 CIP have been made 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 FY10 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 Amendments to the FY11-16 Capital Improvements Program (as of January 15, 2011). 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 56.1 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, 2010, is 1.28 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.

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## **Revenue Stabilization**

On June 29, 2010, the Montgomery County Council enacted Bill 36-10 amending the Montgomery County Code (Chapter 20, Finance, Article XII) that repealed the limit on the size of the Revenue Stabilization Fund (Fund), modified the requirement for mandatory County contributions to the Fund, and amended the law governing the Fund. Mandatory contributions to the Fund are either 50 percent of any excess revenue, or an amount equal to the lesser of 0.5 percent of the Adjusted Governmental Revenues or the amount needed to obtain a total reserve of 10 percent of the Adjusted Governmental Revenues. Adjusted Governmental Revenues include tax supported County Governmental revenues plus revenues of the County Grants Fund and County Capital Projects Fund; tax supported revenues of the Montgomery County Public Schools, not including the County's local contribution; tax supported revenues of Montgomery College, not including the County's local contribution; and tax supported revenues of the Montgomery County portion of the Maryland-National Capital Park and Planning Commission. All interest earned on the Fund must be added to the Fund. The FY12 Recommended Budget estimates that the Revenue Stabilization fund balance will be \$94.1 million in FY11 and the balance is estimated to increase to \$118.1 million in FY12 (↑25.5%).

## **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 an unrestricted General Fund balance (or, an "operating margin reserve") of five percent of prior year's General Fund revenues and the Revenue Stabilization Fund (or "rainy day fund"). It is the County's policy to increase and maintain the budgeted total reserve of the General Fund and the Revenue Stabilization Fund to 10 percent of Adjusted Governmental Revenues.

## **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 48.0 percent and 36.7 percent, respectively, of the estimated total tax revenues in FY12. The third category is the energy tax estimated for the General Fund with an 8.2 percent share. In fact, these three revenue sources represent 92.9 percent of total tax revenues. Of the total tax *supported* revenues, which include non-tax revenues (for example, intergovernmental aid and fees and fines; see p. 5-12), the property tax and the income tax are also the most important with 37.7 percent and 28.8 percent, respectively, of the estimated total tax *supported* revenues in FY12. The third category is intergovernmental revenues with a 16.9 percent share of the total tax *supported* revenues in FY12. 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.

## **Property Tax**

**Using proposed rates (levy year 2011) and a recommended \$692 credit to meet the Charter Limit, total estimated FY12 tax supported property tax revenues of \$1,462.2 million are 2.3 percent above the revised FY11 estimate.** The general countywide rate for FY12 is \$0.716 per \$100 of assessed real property, while a rate of \$1.790 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 the triennial reassessments declined for real property between FY10 and FY12, the previous tax rates along with the income tax offset



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credit (rebate) of \$692 enacted in FY11 would have generated revenues that are below the Charter Limit for FY12. The County Executive's proposal to recommend a rebate of \$692 for each owner-occupied residence (principal residence) and an increase in the General Fund tax rate from \$0.699 to \$0.716 is estimated to reach tax supported revenues allowable under the Charter Limit thereby reducing the variance between revenues at current policy and at the Charter Limit. However with the decline in real property taxable assessments during the past three years and maintaining the income tax offset of \$692, the effects on the rate increase are held to a minimum across residential, commercial, and apartment properties.

The countywide total property taxable assessment is estimated to decrease 2.7 percent from a revised \$172.4 billion in FY11 to \$167.7 billion in FY12. The base is comprised of real property and personal property. In FY12, the Department of Finance estimates real property taxable assessment of approximately \$163.7 billion – a decline of 2.8 percent from FY11 – with the remaining \$4.0 billion in personal property. This is the first such decline in the total property taxable assessment in over twenty-five years. The change in the total property tax base has fluctuated significantly over the past ten fiscal years, with an annual average increase of 10.3 percent between FY03 and FY09, followed by considerable deceleration in the growth of taxable assessments in FY10 and FY11. Reflecting a reduced level of new construction and negative reassessment rates for Group 3 (levy year 2009), Group 1 (levy year 2010) and Group 2 (levy year 2011), the real property tax base is expected to grow 0.7 percent in FY11 and decline 2.7 percent in FY12.

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. The real property reassessments effective for FY12 declined 14.5 percent for Group II (↓17.4% residential) and follows a decline of 17.0 percent in FY11 for Group I (↓19.4% residential), and a decline of 10.6 percent in FY10 for Group III (↓16.3% for residential).

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. However, because of the decline in the reassessment rates for residential properties the past three fiscal years (FY10 to FY12) the amount of the homestead tax credit declined from \$23.8 billion in FY09, which is an all time record, to an estimated \$723.6 million in FY12.

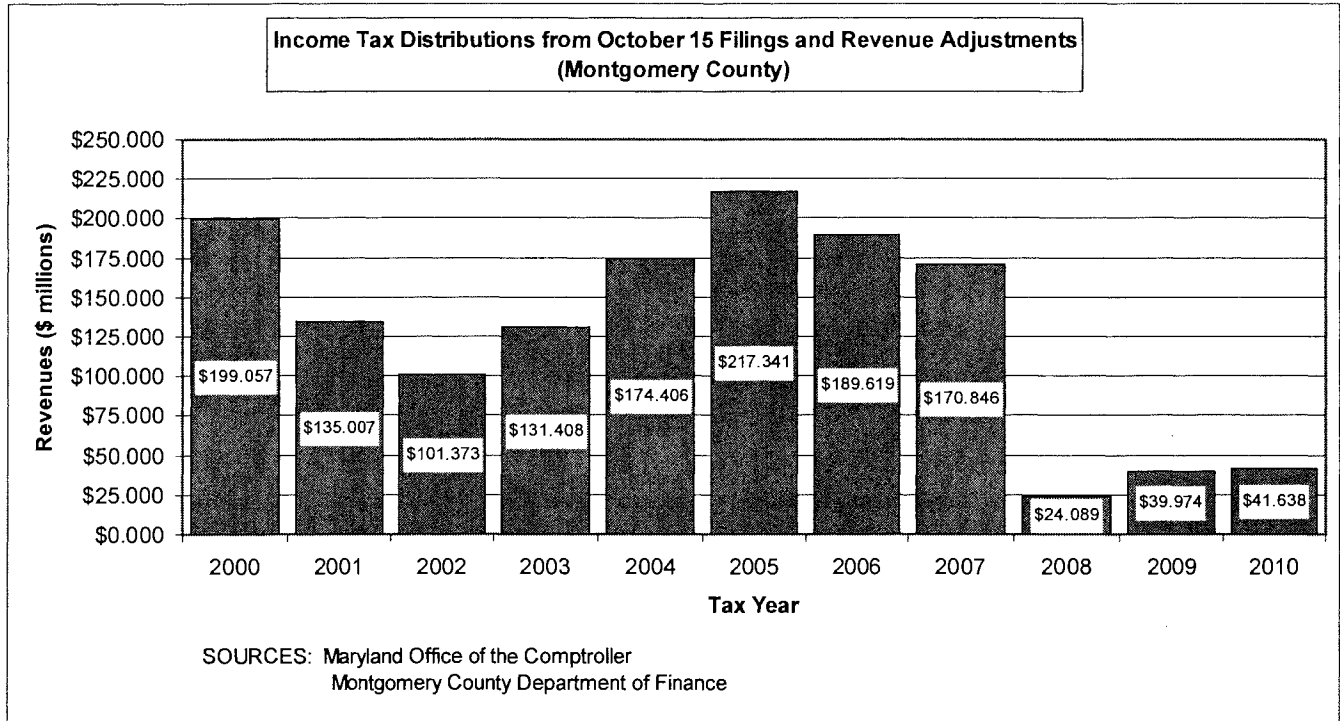
Decreases in the personal property base between FY04 and FY06 reflected the residual effects of weak labor market conditions that occurred between calendar years 2001 and 2003 and resulted in a lower number of new businesses and associated investments. This was exacerbated by tax law changes, including 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). The personal property tax base since FY06 increased three out of the four subsequent years achieving a rate of 5.2 percent in FY10. That increase was attributed to the 7.1 percent increase in corporate personal property. Finance estimates that the total personal property base is projected to increase 1.7 percent in FY12, which follows an increase of 1.1 percent in FY11.

## **Income Tax**

**Estimated FY12 income tax revenues of \$1,117.2 million are 7.0 percent above the revised FY11 estimate.** Growth slowed during the early part of the previous decade reflecting moderation in the trend attributed to very weak growth in County employment – an average annual growth rate of 0.5 percent between tax 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 2000 and 2003. 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, decelerated to only 1.5 percent in 2008, then declined 6.7 percent in 2009 and another 3.4 percent in 2010.

During any one fiscal year the County receives income tax distributions pertaining to at least three different tax years. During the period between tax years 2000 and 2010, the total annual tax distributions can be divided into three cycles: 2000-2003 (the dot.com stock market crash and the economic recession of 2001), 2003-2007 (economic expansion), and 2007-2010 (stock market crash and the great recession). During the dot.com stock market crash and 2001 recession, total income tax distributions declined at an average annual rate of 2.6 percent. With the economic expansion underway in 2003, total income tax distributions increased at an average annual rate of 10.1 percent through 2007 - adjusted for the rate increase from 2.95 percent to 3.20 percent enacted by the County Council in 2004. With the stock market crash of 2008 and subsequent severe recession, total income tax distributions declined at an average annual rate of 5.1 percent between 2007 and 2010.

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 declined dramatically since the peak of tax year 2005. Since that time, revenues from later filers and distribution adjustments gradually declined from tax year 2005 (\$217.3 million) to tax year 2007 (\$170.8 million). Because of the stock market crash of 2008 and the subsequent severe recession (December 2007 to June 2009), distributions from late filers and distribution adjustments experienced a decline of nearly 90 percent in tax year 2008. While those distributions showed modest increases in 2009 and 2010, they remained below the \$50 million level. These extended-filer distributions represent the most volatile component of the income tax, with volatility expected to continue over the near term



### **Transfer and Recordation Taxes**

Estimated FY12 revenues for the tax supported funds of \$143.5 million, which *excludes* the school CIP portion and condominium conversions are 6.5 percent above the revised FY11 estimate. This reflects an FY12 estimate of \$83.3 million in the transfer tax and \$60.2 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 FY10, 88.0 percent of transfer tax revenue came from the residential sector compared to 85.5 percent in FY05, 83.6 percent in FY06, 87.1 percent in FY07, 85.7 percent in FY08, and 86.6 percent in FY09. 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. Beginning in FY03, the recordation tax rate was raised from \$4.40 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 FY01. The growth rate in the number of residential transfers 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),

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declined 3.8 percent in FY09 (12,572), and increased 30.8 percent in FY10 attributed to the federal first-time homebuyers credit. While the number of residential transfers exhibited significant volatility since FY01, 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 during this period. However, since the peak in the housing bubble in FY06, transfer tax revenues from residential transactions declined 23.3 percent in FY07, 26.5 percent in FY08, and 18.1 percent in FY09.

The decline in transfer taxes between FY07 and FY09 is attributed to both a decline in home sales that began in the summer of 2005 and in the median sales price for existing homes that began the late summer of 2007. Home sales declined 21.4 percent in FY07, 31.3 percent in FY08, increased a modest 2.9 percent in FY09, and increased 27.4 percent in FY10. While sales increased significantly in FY10, which was attributed to the federal first-time homebuyers credit, the average sales price for an existing home declined 5.1 percent in FY10.

At the same time that revenues from the residential portion of the transfer tax experienced significant growth between FY02 and FY06, revenues from non-residential properties experienced a similar pattern during this same period. Beginning in FY02, revenues from non-residential property (excluding farms and rezoning) increased for five consecutive years: 3.0 percent in FY02, 18.6 percent in FY03, 33.9 percent in FY04, in 48.5 percent in FY05, and 13.4 percent in FY06. By contrast, in FY07 revenues from non-residential properties declined 49.2 percent, increased 1.8 percent in FY08, decreased 25.7 percent in FY09, but increased 12.9 percent in FY10.

Recordation tax revenues (excluding the school CIP portion) generally track the trend in transfer tax revenues. Revenues from residential recordation tax revenues increased 6.5 percent in FY04, 21.7 percent in FY05, and 20.1 percent in FY06, before declining 19.4 percent in FY07, 21.1 percent in FY08, 18.3 percent in FY09, but increasing 25.3 percent in FY10. The estimate for FY12 reflects an increase of 0.3 percent reaching \$60.2 million reflecting the combined effect of removing the \$5 million redirection of the school CIP portion to the General Fund and allocating \$8.3 million in premium revenue to the General Fund.

### **Energy Tax**

**Estimated FY12 revenues of \$251.2 million are 2.5 percent above the revised FY11 estimate.** 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 in FY11, the previous rate schedule was increased 59.6 percent for non-residential consumption and 155.5 percent for residential consumption (this rate schedule will “sunset” in FY13 to the FY10 rate schedule). 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 FY11, Finance assumes that share of receipts from residential users is approximately 34.3 percent of total collections, with the larger share received from the non-residential sector (65.7%). Measured for all energy types, the two largest sources of revenues in FY11 have been electricity (84.8%) and natural gas (14.1%).

### **Telephone Tax**

**Estimated FY12 revenues of \$51.5 million are 3.8 percent above the revised FY11 estimate.** The telephone tax is levied as a fixed amount per landline, wireless communications, 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 communications was \$2.00 per month prior to FY11. Effective FY11, the County Council increased the rate schedule for wireless communications from \$2.00 per month to \$3.50 per month.

### **Hotel/Motel Tax**

**Estimated FY12 revenues of \$20.0 million are 3.8 percent above the revised FY11 estimate.** The hotel/motel tax is levied as a percentage of the hotel bill. The current tax rate of 7 percent in FY11 is also assumed for FY12. 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.

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## **Admissions Tax**

Estimated FY12 revenues of \$2.6 million are 3.2 percent above the revised FY11 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 FY10, coin and non-coin-operated amusement devices accounted for 30.1 percent of total collections, while other major categories include golf green fees, driving ranges and golf cart rentals (24.0%), and motion picture theaters (32.7%).

## **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 FY12, 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 be implemented; therefore, the projection assumes State aid will remain flat. The Recommended Budget for FY12 assumes a \$73.1 million, or 12.5 percent, increase in Intergovernmental Revenues from the revised FY11 estimate, of which 84.4 percent is allocated to the Montgomery County Public Schools, 4.5 percent to Montgomery Community College, and 3.5 percent to Mass Transit. Total Intergovernmental Aid is estimated to total \$655.6 million in FY11 or 78.6 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 FY12 assumes essentially no change over the revised projections for FY11, resulting in \$11.8 million in available resources in FY12.

### **Charges for Services (User Fees)**

Excluding intergovernmental revenues to Montgomery County Public Schools, Montgomery 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. The Recommended Budget for FY12 assumes 1.5 percent growth over the revised projections for FY11, resulting in \$49.2 million in available resources in FY12.

### **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 FY12 assumes that fines and forfeitures will remain essentially unchanged over the revised estimates for FY11, resulting in \$19.8 million in available resources in FY12.

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## **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 FY12 assumes an increase of 5.4 percent over the revised projections for FY11 resulting in \$82.0 million in available resources in FY12.

## **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 FY11 estimate of pooled investment income of \$750,000 assumes a yield on equity that is barely above 0.00 percent and an average daily balance of \$375.0 million. The FY12 projected estimate of \$1.560 million assumes an increase to a 0.40 percent yield and a slightly higher average daily balance of \$390.5 million. Using current revenue projections, the daily cash balance is expected to decline to \$375.0 million in FY11 but rebound over the following six fiscal years to \$478.0 million by FY17. 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 FY11. The revisions to the FY11 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 2011.

## **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 62.3 percent of the total \$14.4 million projected for FY12.

<b>TRENDS AND PROJECTIONS</b>								
<b>DEMOGRAPHIC AND PLANNING INDICATORS</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>POPULATION</b>	<b>964,100</b>	<b>971,400</b>	<b>978,700</b>	<b>986,100</b>	<b>993,500</b>	<b>1,001,000</b>	<b>1,010,450</b>	<b>1,010,940</b>
Annual Increase	6,900	7,300	7,300	7,400	7,400	7,500	9,450	490
Population Growth Since 2003	5.4%	6.2%	7.0%	7.8%	8.6%	9.4%	10.4%	10.5%
County Resident Births (Prior Calendar Year)	13,900	14,100	14,200	14,300	14,500	14,600	14,700	14,700
<b>HOUSEHOLDS</b>	<b>360,500</b>	<b>363,750</b>	<b>367,010</b>	<b>370,310</b>	<b>373,640</b>	<b>377,000</b>	<b>381,110</b>	<b>385,270</b>
Household Annual Growth (%)	0.7%	0.9%	0.9%	0.9%	0.9%	0.9%	1.1%	1.1%
Household Growth Since 2003	5.6%	6.6%	7.5%	8.5%	9.5%	10.5%	11.7%	12.9%
Household Growth Since 1992	23.8%	24.9%	26.0%	27.2%	28.3%	29.5%	30.9%	32.3%
Household Size	2.67	2.67	2.67	2.66	2.66	2.66	2.65	2.62
<b>RESIDENT EMPLOYMENT (Jan = Calendar Year)</b>	<b>483,503</b>	<b>487,032</b>	<b>492,363</b>	<b>502,199</b>	<b>507,509</b>	<b>513,743</b>	<b>518,844</b>	<b>523,997</b>
Resident Employment Annual Growth (%)	-0.6%	0.7%	1.1%	2.0%	1.1%	1.2%	1.0%	1.0%
Resident Employment Growth Since 2003	0.6%	1.3%	2.4%	4.5%	5.6%	6.9%	7.9%	9.0%
Resident Employment Per Household	1.34	1.34	1.34	1.36	1.36	1.36	1.36	1.36
Jobs in County	506,000	511,600	518,000	524,700	532,000	540,000	548,400	557,100
<b>PERSONAL INCOME (\$ Millions)</b>	<b>\$66,700</b>	<b>\$69,220</b>	<b>\$72,740</b>	<b>\$77,170</b>	<b>\$81,810</b>	<b>\$86,130</b>	<b>\$90,230</b>	<b>\$94,680</b>
Per Capita Personal Income	\$69,180	\$71,260	\$74,320	\$78,260	\$82,350	\$86,040	\$89,300	\$93,660
Annual Growth (%)	2.8%	3.0%	4.3%	5.3%	5.2%	4.5%	3.8%	4.9%
<b>CONSUMER PRICE INDEX (CPI) - Fiscal Year</b>	<b>1.17%</b>	<b>2.00%</b>	<b>2.40%</b>	<b>2.70%</b>	<b>3.00%</b>	<b>3.20%</b>	<b>3.40%</b>	<b>3.60%</b>
Inflation Growth (Fiscal Year) Since 2003 (%)	-58.2%	-28.6%	-14.3%	-3.6%	7.1%	14.3%	21.4%	28.6%
<b>CONSUMER PRICE INDEX (CPI) - Calendar Year (%)</b>	<b>1.70%</b>	<b>2.26%</b>	<b>2.61%</b>	<b>2.86%</b>	<b>3.05%</b>	<b>3.25%</b>	<b>3.50%</b>	<b>3.70%</b>
<b>ASSESSABLE TAX BASE (\$ Millions)</b>	<b>\$171,221</b>	<b>\$172,392</b>	<b>\$167,747</b>	<b>\$168,355</b>	<b>\$172,600</b>	<b>\$176,153</b>	<b>\$185,255</b>	<b>\$193,953</b>
Annual Growth (%)	5.7%	0.7%	-2.7%	0.4%	2.5%	2.1%	5.2%	4.7%
Growth of Base Since 1992 (%)	186.2%	188.2%	180.4%	181.4%	188.5%	194.5%	209.7%	224.2%
Growth of Base Since 2003 (%)	97.6%	99.0%	93.6%	94.3%	99.2%	103.3%	113.8%	123.9%
<b>INVESTMENT INCOME YIELD (%)</b>	<b>0.22%</b>	<b>0.14%</b>	<b>0.40%</b>	<b>0.90%</b>	<b>2.00%</b>	<b>2.75%</b>	<b>3.50%</b>	<b>4.00%</b>
<b>MCPS ENROLLMENT (Sept = Calendar Year)</b>	<b>141,777</b>	<b>144,458</b>	<b>146,649</b>	<b>148,770</b>	<b>150,241</b>	<b>151,399</b>	<b>153,022</b>	<b>154,684</b>
Annual Growth (%)	1.8%	1.9%	1.5%	1.4%	1.0%	0.8%	1.1%	1.1%
Annual Increase (Decrease)	2501	2681	2191	2121	1471	1158	1623	1662
<b>MONTGOMERY COLLEGE ENROLLMENTS (a)</b>	<b>26,144</b>	<b>26,013</b>	<b>26,085</b>	<b>26,174</b>	<b>26,238</b>	<b>26,298</b>	<b>26,352</b>	<b>26,352</b>
Annual Growth (%)	6.92%	-0.50%	0.28%	0.34%	0.24%	0.2%	0.2%	0.00%
<b>Full Time Equivalents (Sept = Calendar Year) (a)</b>	<b>21,866</b>	<b>21,995</b>	<b>22,200</b>	<b>22,392</b>	<b>22,572</b>	<b>22,753</b>	<b>22,936</b>	<b>22,936</b>
Annual Growth in FTE's (%)	7.44%	0.59%	0.93%	0.86%	0.80%	0.80%	0.80%	0.00%

(a) Projections related to Montgomery College Enrollments and Full Time Equivalents are provided by Montgomery College and only include projections thru FY16. Since no projections are provided for FY17, the projections for FY16 were used for FY17.

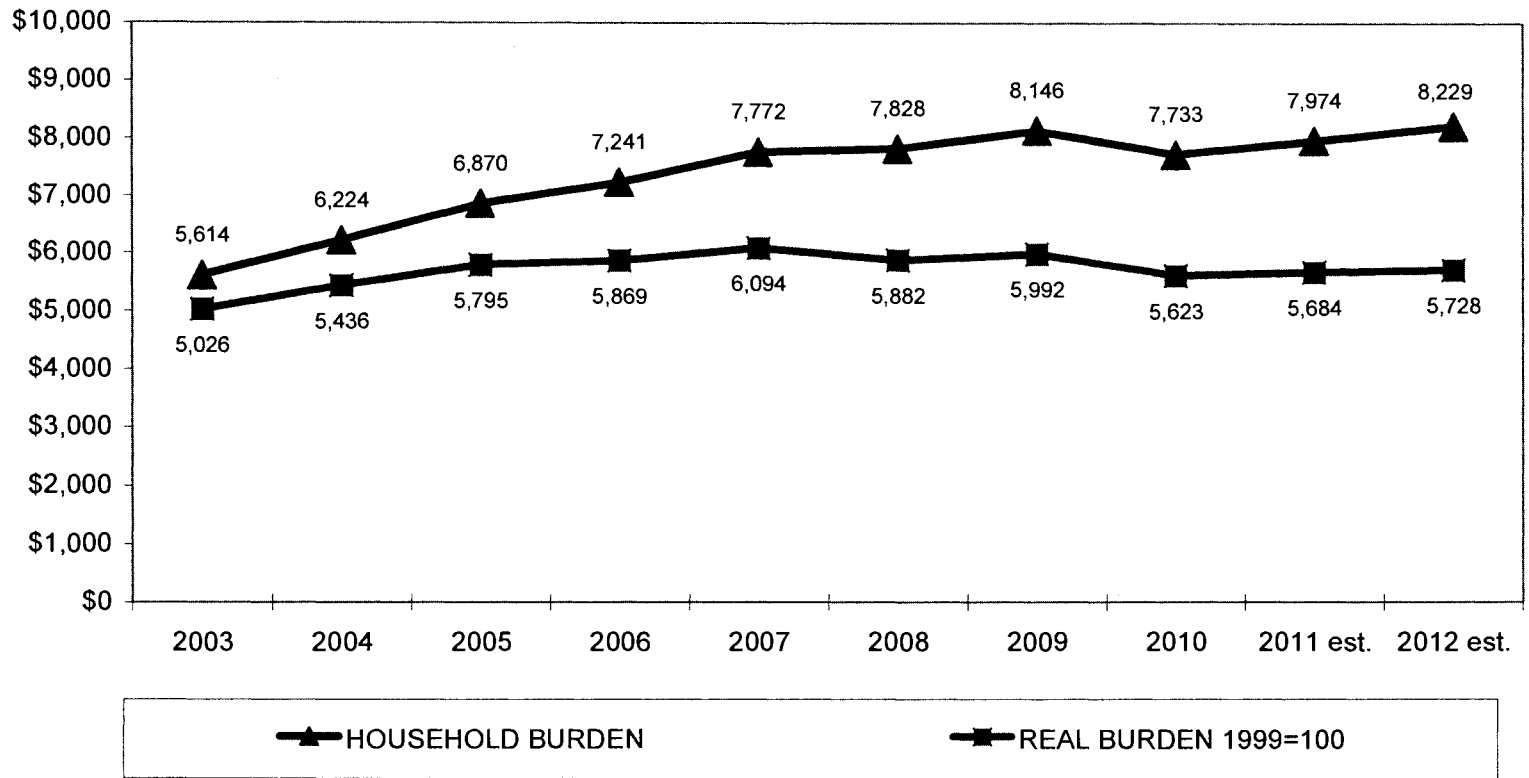
## FY12 FEE AND FINE CHANGES\*

DEPARTMENT/FEE AND FINE	FY12 REVENUE CHANGE	METHOD OF CHANGE	NOTE
<b>MONTGOMERY COLLEGE</b>			
Tuition and Related Fees	3,716,000	Board of Trustees Action	Increase per semester hour rate from \$107 to \$110 for County residents, \$219 to \$225 for State residents, and \$299 to \$308 for non-residents.
<b>ENVIRONMENTAL PROTECTION</b>			
Water Quality Protection Charge	3,599,780	Council Resolution	Increase charge from \$49.00 to \$62.00 per equivalent residential unit (ERU) to cover increased expenditures in the Water Quality Protection Fund.
<b>PERMITTING SERVICES</b>			
Building Permits	472,620	Executive Regulation	Remove the cap and adjust the current commercial building fee calculation for projects with construction costs greater than \$8 million. Moderately priced dwelling units are excluded from the calculation.
Use and Occupancy	108,000	Executive Regulation	With the enactment of Zoning Text Amendment 09-03, a Use & Occupancy certificate is now required for all residential new construction building permits effective April 24, 2011. A fee will be associated with this certificate effective July 1, 2011.
Stormwater Management	50,000	Executive Regulation	The existing stormwater management fees will change as a result of the recently enacted Expedited Bill 40-10, Stormwater Management Revisions. The Bill now requires the submittal, review, and approval of a new Site Development Stormwater Management Plan and the associated fees.
<b>HEALTH AND HUMAN SERVICES</b>			
Licenses and Permits	253,220	Executive Regulation	Health Inspection fees for: 1. Electronic Amusement Licenses; 2. Living Facilities - Environment; 3. Living Facilities - Licenses; 4. Restaurants; 5. Swimming Pools; 6. Marriage Licenses - Battered Spouses; and 7. other miscellaneous inspections.
<b>TRANSIT SERVICES</b>			
Ride On Monthly Pass	598,630	Council Resolution	Increase monthly pass from \$30 to \$45. Increase effective 7/3/2011.
<b>DEPARTMENT OF TRANSPORTATION</b>			
Parking Fees - Bethesda	650,000	Council Resolution	Raise Long-Term Parking Fee from \$0.65 Per Hour to \$0.75 Per Hour.
Parking Fees - Bethesda	700,000	Council Resolution	Charge on Saturdays in Lots and Garages.
Parking Fees - Silver Spring	700,000	Council Resolution	Raise Long-Term Parking Fee from \$0.50 Per Hour to \$0.60 Per Hour.
<b>SOLID WASTE SERVICES</b>			
Solid Waste Service Charges	1,264,000	Council Resolution	Increase single family charge per household from \$209.85 to \$213.76.
Solid Waste Collection Fee	-394,820	Council Resolution	Decrease single family charge per household from \$74 to \$70.
<b>GRAND TOTAL</b>	<b>11,717,430</b>		

\* All changes are assumed to be effective July 1, 2011 except as noted.

Revenues above do not include implementation costs.

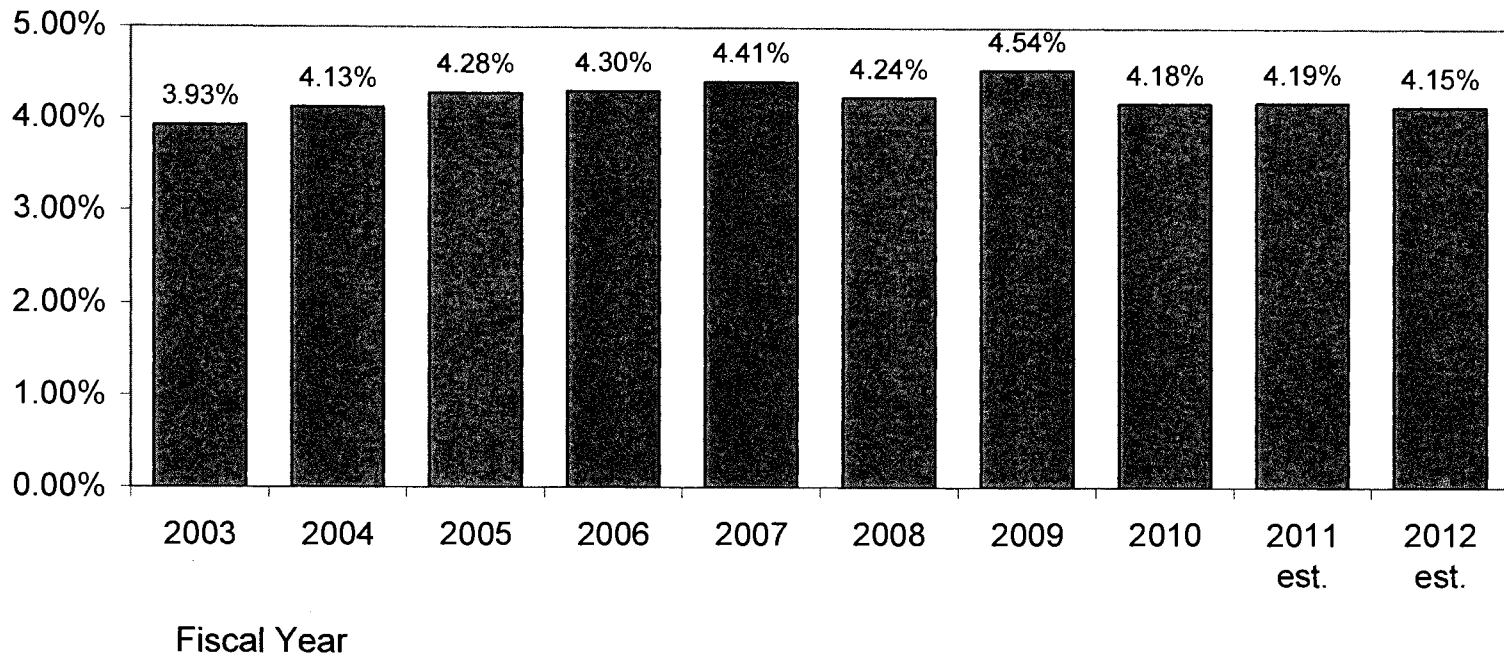
### AVERAGE HOUSEHOLD TAX BURDEN MONTGOMERY COUNTY BY FISCAL YEAR



Prepared by Montgomery County Department of Finance



### COUNTY TAXES AS A SHARE OF PERSONAL INCOME MONTGOMERY COUNTY



Prepared by Montgomery County Department of Finance

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 FY11	Estimate FY11	% Chg. FY11-12	% 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	% Chg. FY16-17	Projected FY17
	5-27-10	3-15-11	Rec/Bud	Rec/Est	3-15-11										
<b>1 Total Resources</b>															
2 Revenues	3,779.2	3,680.3	2.7%	5.5%	3,882.7	0.3%	3,893.2	3.5%	4,028.6	3.8%	4,180.2	4.1%	4,350.4	3.6%	4,505.5
3 Beginning Reserves Undesignated	29.7	42.8	78.9%	24.1%	53.1	150.9%	133.3	3.0%	137.3	-0.1%	137.1	4.3%	143.0	4.6%	149.6
4 Beginning Reserves Designated	0.0	0.0			0.0		0.0		0.0		0.0		0.0		0.0
5 Net Transfers In	41.7	48.9	-6.9%	-20.5%	38.9	2.7%	39.9	3.0%	41.1	3.2%	42.4	3.4%	43.9	3.6%	45.5
<b>6 Total Resources</b>	<b>3,850.7</b>	<b>3,772.0</b>	<b>3.2%</b>	<b>5.4%</b>	<b>3,974.7</b>	<b>2.3%</b>	<b>4,066.5</b>	<b>3.5%</b>	<b>4,207.1</b>	<b>3.6%</b>	<b>4,359.8</b>	<b>4.1%</b>	<b>4,537.2</b>	<b>3.6%</b>	<b>4,700.6</b>
7 \$ Change from prior Budget	62.7	(16.0)			124.1		91.7		140.6		152.8		177.4		163.4
<b>8 Uses: Non-Agency</b>															
<b>9 Capital Investment ( a, b )</b>															
10 Debt Service: GO Bonds for all Agy's.	236.1	236.1	11.0%	11.0%	262.1	8.2%	283.7	7.3%	304.3	6.5%	324.0	6.7%	345.6	5.9%	366.0
11 Debt Service: Local Parks	4.9	4.9	5.0%	5.0%	5.2	0.0%	5.2	0.0%	5.2	0.0%	5.2	0.0%	5.2	0.0%	5.2
12 Debt Service: Leases	23.0	22.8	28.4%	29.3%	29.5	11.0%	32.7	4.9%	34.3	-0.1%	34.3	-0.1%	34.2	-0.9%	33.9
13 CIP Current Revenue	23.8	25.6	28.7%	19.6%	30.6	93.3%	59.1	36.9%	81.0	0.6%	81.5	-21.1%	64.3	0.0%	64.3
14 CIP Paygo	0.0	0.0	0.0%	0.0%	32.0	0.0%	32.0	0.0%	32.0	0.0%	32.0	0.0%	32.0	0.0%	32.0
14a CIP Paygo Recordation 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
<b>15 Sub-total Capital</b>	<b>287.8</b>	<b>289.4</b>	<b>24.9%</b>	<b>24.2%</b>	<b>359.4</b>	<b>14.8%</b>	<b>412.7</b>	<b>10.7%</b>	<b>456.8</b>	<b>4.4%</b>	<b>476.9</b>	<b>0.9%</b>	<b>481.4</b>	<b>4.2%</b>	<b>501.4</b>
<b>16 Other Uses</b>															
17 Set Aside: Potential Supplementals	0.0	31.9			0.0		20.0		20.0		20.0		20.0		20.0
18 Set Aside: Other Claims	0.3	0.3			0.2		0.2		0.2		0.2		0.2		0.2
19 Retiree Health Insurance Pre-Funding	0.0	0.0			0.0		0.0		0.0		0.0		0.0		0.0
20 Montgomery College Reserves	0.0	0.0			(12.0)		0.1		0.1		0.1		0.1		0.1
21 MNCPPC Reserves	0.0	0.0			(1.2)		0.1		0.1		0.1		0.2		0.2
22 Change to Undesignated Reserves	107.1	35.6			80.2		3.9		(0.1)		5.8		6.6		12.0
23 Change to Revenue Stabilization Fund	33.9	19.2			24.0		20.9		22.5		24.0		25.5		26.6
<b>24 Sub-total Other</b>	<b>141.3</b>	<b>86.9</b>			<b>91.3</b>		<b>45.2</b>		<b>42.7</b>		<b>50.3</b>		<b>52.5</b>		<b>59.1</b>
<b>25 Reserves</b>															
26 Revenue Stabilization Fund	94.3	94.1	25.1%	25.5%	118.1	17.7%	139.0	16.2%	161.5	14.9%	185.4	13.7%	210.9	12.6%	237.5
27 Reserve Undesignated	136.8	53.1	-2.6%	150.9%	133.3	3.0%	137.3	-0.1%	137.1	4.3%	143.0	4.6%	149.6	8.0%	161.6
28 Reserve Designated	0.0	0.0			0.0		0.0		0.0		0.0		0.0		0.0
29 Reserve Montgomery College		15.9			4.0		4.0		4.1		4.2		4.2		4.3
30 Reserve M-NCPPC		5.3			4.1		4.2		4.3		4.5		4.6		4.8
<b>31 Sub-total Reserves</b>	<b>231.2</b>	<b>147.2</b>	<b>12.2%</b>	<b>76.2%</b>	<b>259.4</b>	<b>9.7%</b>	<b>284.5</b>	<b>7.9%</b>	<b>307.0</b>	<b>9.8%</b>	<b>337.1</b>	<b>9.6%</b>	<b>369.4</b>	<b>10.5%</b>	<b>408.3</b>
32 Less Revenue Stabilization Fund	(94.3)	(94.1)	25.1%	25.5%	(118.1)	17.7%	(139.0)	16.2%	(161.5)	14.9%	(185.4)	13.7%	(210.9)	12.6%	(237.5)
33 Less Designated Reserve	0.0	0.0			0.0		0.0		0.0		0.0		0.0		0.0
<b>34 Sub-total Undesignated Reserves</b>	<b>136.8</b>	<b>53.1</b>	<b>3.3%</b>	<b>166.0%</b>	<b>141.4</b>	<b>2.9%</b>	<b>145.5</b>	<b>0.0%</b>	<b>145.5</b>	<b>4.2%</b>	<b>151.6</b>	<b>4.5%</b>	<b>158.5</b>	<b>7.7%</b>	<b>170.8</b>
<b>35 Total Uses: Non-Agency</b>	<b>429.1</b>	<b>376.4</b>	<b>36.1%</b>	<b>55.2%</b>	<b>584.0</b>	<b>1.9%</b>	<b>595.2</b>	<b>7.0%</b>	<b>636.6</b>	<b>5.3%</b>	<b>670.2</b>	<b>2.0%</b>	<b>683.5</b>	<b>5.6%</b>	<b>722.1</b>
<b>36 Uses: Available for Agency Services</b>	<b>3,421.5</b>	<b>3,395.6</b>	<b>-0.9%</b>	<b>-0.1%</b>	<b>3,390.8</b>	<b>2.4%</b>	<b>3,471.2</b>	<b>2.9%</b>	<b>3,570.4</b>	<b>3.3%</b>	<b>3,689.7</b>	<b>4.4%</b>	<b>3,853.7</b>	<b>3.2%</b>	<b>3,978.5</b>
37 \$ Change from prior Budget	(163.0)	(188.9)			(4.9)		80.5		99.2		119.3		164.0		124.8

(a) See separate displays elsewhere in this book for allocation of Debt Service and CIP Current Revenue by Agency (A-3 Schedule).  
 (b) FY12-17 PAYGO and CIP Current Revenue as recommended by the County Executive on March 15, 2011.

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

A KEY REVENUE CATEGORIES	B App. FY11	C Estimate FY11	D % Chg. FY11-12	E % Chg. FY11-12	F Rec. FY12	G % Chg. FY12-13	H Projected FY13	I % Chg. FY13-14	J Projected FY14	K % Chg. FY14-15	L Projected FY15	M % Chg. FY15-16	N Projected FY16	O % Chg. FY16-17	P Projected FY17
<b>TAXES</b>	5-27-10	3-15-11	Rec/Bud	Rec/Est	3-15-11										
1 Property Tax (less PDs)	1,450.1	1,430.0	0.8%	2.3%	1,462.2	2.5%	1,498.6	3.4%	1,549.7	3.3%	1,601.5	3.6%	1,659.3	4.1%	1,727.6
2 Income Tax	1,060.7	1,043.7	5.3%	7.0%	1,117.2	6.4%	1,188.6	5.0%	1,248.0	7.2%	1,337.6	6.7%	1,427.5	5.0%	1,498.7
3 Transfer Tax	75.7	74.8	10.2%	11.4%	83.3	11.6%	93.0	8.9%	101.4	-1.1%	100.3	6.0%	106.3	1.1%	107.6
4 Recordation Tax	51.0	43.7	1.6%	18.7%	51.9	9.8%	57.0	6.2%	60.5	-1.5%	59.6	7.5%	64.0	1.7%	65.1
4a Recordation Tax Premium	8.2	11.3	1.5%	-26.3%	8.3	-100.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0
4b Recordation Tax CIP	5.0	5.0	-100.0%	-100.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0
5 Energy Tax	245.5	245.1	2.3%	2.5%	251.2	-44.5%	139.5	2.1%	142.5	1.4%	144.5	0.8%	145.7	1.5%	147.8
6 Telephone Tax	48.4	49.6	6.5%	3.8%	51.5	4.2%	53.7	4.6%	56.2	4.9%	58.9	5.1%	61.9	5.4%	65.2
7 Hotel/Motel Tax	17.4	19.2	15.1%	3.8%	20.0	4.7%	20.9	4.3%	21.8	4.3%	22.7	4.4%	23.7	4.3%	24.8
8 Admissions Tax	2.0	2.5	26.3%	3.2%	2.6	3.6%	2.7	3.6%	2.8	3.8%	2.9	3.9%	3.0	3.0%	3.1
<b>9 Total Local Taxes</b>	<b>2,964.0</b>	<b>2,924.9</b>	<b>2.8%</b>	<b>4.2%</b>	<b>3,048.3</b>	<b>0.2%</b>	<b>3,054.0</b>	<b>4.2%</b>	<b>3,182.7</b>	<b>4.6%</b>	<b>3,327.9</b>	<b>4.9%</b>	<b>3,491.5</b>	<b>4.2%</b>	<b>3,639.8</b>
<b>INTERGOVERNMENTAL AID</b>															
10 Highway User	0.9	1.1	26.0%	3.0%	1.1	0.0%	1.1	0.0%	1.1	0.0%	1.1	0.0%	1.1	0.0%	1.1
11 Police Protection	8.2	8.2	0.0%	0.0%	8.2	0.0%	8.2	0.0%	8.2	0.0%	8.2	0.0%	8.2	0.0%	8.2
12 Libraries	5.4	5.4	0.0%	0.0%	5.4	0.0%	5.4	0.0%	5.4	0.0%	5.4	0.0%	5.4	0.0%	5.4
13 Health Services Case Formula	3.6	3.6	0.0%	0.0%	3.6	0.0%	3.6	0.0%	3.6	0.0%	3.6	0.0%	3.6	0.0%	3.6
14 Mass Transit	22.8	22.8	0.0%	0.0%	22.8	0.0%	22.8	0.0%	22.8	0.0%	22.8	0.0%	22.8	0.0%	22.8
15 Public Schools	488.6	471.1	13.2%	17.4%	553.3	0.0%	553.3	0.0%	553.3	0.0%	553.3	0.0%	553.3	0.0%	553.3
16 Community College	30.6	30.6	-2.7%	-2.7%	29.8	0.0%	29.8	0.0%	29.8	0.0%	29.8	0.0%	29.8	0.0%	29.8
17 Direct Reimbursements	14.2	14.4	-1.2%	-2.2%	14.0	0.0%	14.0	0.0%	14.0	0.0%	14.0	0.0%	14.0	0.0%	14.0
18 Other	9.4	9.4	-0.5%	-0.2%	9.4	0.0%	9.4	0.0%	9.4	0.0%	9.4	0.0%	9.4	0.0%	9.4
<b>19 Subtotal State Aid</b>	<b>583.8</b>	<b>566.6</b>	<b>10.9%</b>	<b>14.3%</b>	<b>647.6</b>	<b>0.0%</b>	<b>647.6</b>	<b>0.0%</b>	<b>647.6</b>	<b>0.0%</b>	<b>647.6</b>	<b>0.0%</b>	<b>647.6</b>	<b>0.0%</b>	<b>647.6</b>
20 Federal Aid	30.6	15.9	-73.9%	-49.8%	8.0	0.0%	8.0	0.0%	8.0	0.0%	8.0	0.0%	8.0	0.0%	8.0
<b>21 Total Intergovernmental Aid</b>	<b>614.3</b>	<b>582.5</b>	<b>6.7%</b>	<b>12.5%</b>	<b>655.6</b>	<b>0.0%</b>	<b>655.6</b>	<b>0.0%</b>	<b>655.6</b>	<b>0.0%</b>	<b>655.6</b>	<b>0.0%</b>	<b>655.6</b>	<b>0.0%</b>	<b>655.6</b>
<b>FEES AND FINES</b>															
22 Licenses & Permits	12.1	11.8	-2.5%	0.0%	11.8	1.5%	12.0	1.5%	12.2	1.5%	12.3	1.5%	12.5	1.5%	12.7
23 Charges for Services	65.5	48.5	-24.8%	1.5%	49.2	2.2%	50.3	2.4%	51.5	2.6%	52.8	2.7%	54.3	2.9%	55.8
24 Fines & Forfeitures	26.3	19.9	-24.7%	-0.4%	19.8	1.6%	20.1	1.6%	20.4	1.6%	20.8	1.6%	21.1	1.6%	21.4
25 Montgomery College Tuition	78.1	77.8	5.0%	5.4%	82.0	2.2%	83.7	2.4%	85.8	2.6%	87.9	2.7%	90.3	2.9%	92.9
<b>26 Total Fees and Fines</b>	<b>182.0</b>	<b>158.0</b>	<b>-10.5%</b>	<b>3.1%</b>	<b>162.8</b>	<b>2.0%</b>	<b>166.2</b>	<b>2.2%</b>	<b>169.9</b>	<b>2.4%</b>	<b>173.9</b>	<b>2.5%</b>	<b>178.2</b>	<b>2.6%</b>	<b>182.9</b>
<b>MISCELLANEOUS</b>															
27 Investment Income	3.6	0.7	-55.9%	131.0%	1.6	69.4%	2.7	92.0%	5.2	37.3%	7.2	22.1%	8.8	17.8%	10.3
28 Other Miscellaneous	15.3	14.2	-5.9%	1.6%	14.4	2.7%	14.8	3.0%	15.3	3.2%	15.7	3.4%	16.3	3.6%	16.9
<b>29 Total Miscellaneous</b>	<b>19.0</b>	<b>14.9</b>	<b>-15.5%</b>	<b>7.6%</b>	<b>16.0</b>	<b>9.4%</b>	<b>17.5</b>	<b>16.8%</b>	<b>20.5</b>	<b>11.9%</b>	<b>22.9</b>	<b>9.2%</b>	<b>25.0</b>	<b>8.6%</b>	<b>27.2</b>
<b>30 TOTAL REVENUES</b>	<b>3,779.2</b>	<b>3,680.3</b>	<b>2.7%</b>	<b>5.5%</b>	<b>3,882.7</b>	<b>0.3%</b>	<b>3,893.2</b>	<b>3.5%</b>	<b>4,028.6</b>	<b>3.8%</b>	<b>4,180.2</b>	<b>4.1%</b>	<b>4,350.4</b>	<b>3.6%</b>	<b>4,505.5</b>
31 \$ Change from prior Budget	165.4	66.4			103.5		10.5		135.4		151.6		170.1		155.2

### County Executive's Recommended FY12-17 Public Services Program Tax Supported Fiscal Plan Summary

(\$ in Millions)

	App. FY11	Est FY11	% Chg. FY11-12 Rec/Bud	Projected FY12	% Chg. FY12-13	Projected FY13	% Chg. FY13-14	Projected FY14	% Chg. FY14-15	Projected FY15	% Chg. FY15-16	Projected FY16	% Chg. FY16-17	Projected FY17
<b>Total Revenues</b>	<b>5-27-10</b>	<b>3-15-11</b>		<b>3-15-11</b>										
1 Property Tax (less PDs)	1,450.1	1,430.0	0.8%	1,462.2	2.5%	1,498.6	3.4%	1,549.7	3.3%	1,601.5	3.6%	1,659.3	4.1%	1,727.6
2 Income Tax	1,060.7	1,043.7	5.3%	1,117.2	6.4%	1,188.6	5.0%	1,248.0	7.2%	1,337.6	6.7%	1,427.5	5.0%	1,498.7
3 Transfer/Recordation Tax	139.9	134.8	2.6%	143.5	4.5%	150.0	7.9%	161.8	-1.2%	159.8	6.6%	170.3	1.4%	172.7
4 Investment Income	3.6	0.7	-55.9%	1.6	69.4%	2.7	92.0%	5.2	37.3%	7.2	22.1%	8.8	17.8%	10.3
5 Other Taxes	313.2	316.4	3.8%	325.3	-33.4%	216.8	2.9%	223.2	2.6%	229.0	2.3%	234.3	2.8%	240.9
6 Other Revenues	811.6	754.7	2.6%	832.8	0.4%	836.5	0.5%	840.7	0.5%	845.2	0.6%	850.1	0.6%	855.4
<b>Total Revenues</b>	<b>3,779.2</b>	<b>3,680.3</b>	<b>2.7%</b>	<b>3,882.7</b>	<b>0.3%</b>	<b>3,893.2</b>	<b>3.5%</b>	<b>4,028.6</b>	<b>3.8%</b>	<b>4,180.2</b>	<b>4.1%</b>	<b>4,350.4</b>	<b>3.6%</b>	<b>4,505.5</b>
8														
9 <b>Net Transfers In (Out)</b>	<b>41.7</b>	<b>48.9</b>	<b>-6.9%</b>	<b>38.9</b>	<b>2.7%</b>	<b>39.9</b>	<b>3.0%</b>	<b>41.1</b>	<b>3.2%</b>	<b>42.4</b>	<b>3.4%</b>	<b>43.9</b>	<b>3.6%</b>	<b>45.5</b>
<b>Total Revenues and Transfers Available</b>	<b>3,821.0</b>	<b>3,729.2</b>	<b>2.6%</b>	<b>3,921.6</b>	<b>0.3%</b>	<b>3,933.1</b>	<b>3.5%</b>	<b>4,069.8</b>	<b>3.8%</b>	<b>4,222.7</b>	<b>4.1%</b>	<b>4,394.2</b>	<b>3.6%</b>	<b>4,551.0</b>
10														
11														
12 <b>Non-Operating Budget Use of Revenues</b>														
13 Debt Service	264.0	263.8	12.4%	296.8	8.4%	321.6	6.9%	343.8	5.7%	363.4	6.0%	385.1	5.2%	405.1
14 PAYGO	-	-	n/a	32.0	0.0%	32.0	0.0%	32.0	0.0%	32.0	0.0%	32.0	0.0%	32.0
15 CIP Current Revenue	23.8	25.6	28.7%	30.6	93.3%	59.1	36.9%	81.0	0.6%	81.5	-21.1%	64.3	0.0%	64.3
16 Montgomery College Reserves		15.9		(12.0)	-100.5%	0.1	13.4%	0.1	9.2%	0.1	9.0%	0.1	8.7%	0.1
17 MNCPPC Reserves		5.3		(1.2)	-108.5%	0.1	44.5%	0.1	1.6%	0.1	10.4%	0.2	15.9%	0.2
18 Contribution to General Fund Undesignated Reserves	107.1	10.3	-25.1%	80.2	-95.1%	3.9	-103.7%	(0.1)	4108.7%	5.8	13.5%	6.6	81.0%	12.0
19 Contribution to Revenue Stabilization Reserves	33.9	19.2	-29.4%	24.0	-12.7%	20.9	7.3%	22.5	6.8%	24.0	6.1%	25.5	4.6%	26.6
20 Retiree Health Insurance Pre-Funding	-	-	n/a	-	n/a	146.6	11.3%	163.2	5.1%	171.5	-2.8%	166.8	-2.8%	162.0
21 Set Aside for other uses (supplemental appropriations)	0.3	32.1	-20.0%	0.2	10000.0%	20.2	0.0%	20.2	0.0%	20.2	0.0%	20.2	0.0%	20.2
22 <b>Total Other Uses of Resources</b>	<b>429.1</b>	<b>372.2</b>	<b>5.0%</b>	<b>450.6</b>	<b>34.2%</b>	<b>604.6</b>	<b>9.6%</b>	<b>662.7</b>	<b>5.4%</b>	<b>698.7</b>	<b>0.3%</b>	<b>700.7</b>	<b>3.1%</b>	<b>722.6</b>
23 <b>Available to Allocate to Agencies (Total Revenues+Net Transfers-Total Other Uses)</b>	<b>3,391.8</b>	<b>3,357.0</b>	<b>2.3%</b>	<b>3,471.0</b>	<b>-4.1%</b>	<b>3,328.6</b>	<b>2.4%</b>	<b>3,407.1</b>	<b>3.4%</b>	<b>3,524.0</b>	<b>4.8%</b>	<b>3,693.6</b>	<b>3.7%</b>	<b>3,828.4</b>
24														
25 <b>Agency Uses</b>														
26														
27 Montgomery County Public Schools (MCPS)	1,919.8	1,889.6	3.5%	1,987.6	-4.1%	1,906.1	2.4%	1,951.0	3.4%	2,017.9	4.8%	2,115.0	3.7%	2,192.3
28 Montgomery College (MC)	215.8	208.6	0.7%	217.3	-4.1%	208.4	2.4%	213.3	3.4%	220.6	4.8%	231.2	3.7%	239.6
29 MNCPPC (w/o Debt Service)	92.7	92.2	-2.2%	90.7	-4.1%	86.9	2.4%	89.0	3.4%	92.0	4.8%	96.5	3.7%	100.0
30 MCG	1,163.6	1,166.6	1.0%	1,175.5	-4.1%	1,127.2	2.4%	1,153.8	3.4%	1,193.4	4.8%	1,250.8	3.7%	1,296.5
31 <b>Subtotal Agency Uses</b>	<b>3,391.8</b>	<b>3,357.0</b>	<b>2.3%</b>	<b>3,471.0</b>	<b>-4.1%</b>	<b>3,328.6</b>	<b>2.4%</b>	<b>3,407.1</b>	<b>3.4%</b>	<b>3,524.0</b>	<b>4.8%</b>	<b>3,693.6</b>	<b>3.7%</b>	<b>3,828.4</b>
32 <b>Total Uses</b>	<b>3,821.0</b>	<b>3,729.2</b>	<b>2.6%</b>	<b>3,921.6</b>	<b>0.3%</b>	<b>3,933.1</b>	<b>3.5%</b>	<b>4,069.8</b>	<b>3.8%</b>	<b>4,222.7</b>	<b>4.1%</b>	<b>4,394.2</b>	<b>3.6%</b>	<b>4,551.0</b>
33 <b>(Gap)/Available</b>	<b>0.0</b>	<b>0.0</b>		<b>0.0</b>		<b>0.0</b>		<b>0.0</b>		<b>0.0</b>		<b>0.0</b>		<b>0.0</b>

**Notes:**

1. FY13-17 property tax revenues are at the Charter Limit assuming a tax credit. All other tax revenues at current rates except as noted below.
2. FY13 reduction in Other Taxes reflects scheduled sunset of the May 2010 Energy Tax increase.
3. PAYGO is programmed at policy level of 10% of planned GO Bond borrowing. See Row 14 above.
4. FY12 revenues reflect redirection of Recordation Tax Premium (\$8.3 million).
5. FY13-17 Retiree Health Insurance Pre-Funding is reflected according to updated 8-year phase-in schedule. See Row 20 above.
6. Projected agency rate of growth is constrained to balance the fiscal plan in FY13-17.
7. Reserves are funded at policy levels including legally required contributions to the Revenue Stabilization Fund.
8. FY12 Retiree Health Insurance Pre-Funding is shown at the Agency Request level. See Rows 53-56.

**County Executive's Recommended FY12-17 Public Services Program  
Tax Supported Fiscal Plan Summary**

(\$ in Millions)														
	App. FY11	Est. 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	% Chg. FY16-17	Projected FY17
34 <b>Beginning Reserves</b>														
35 <b>Unrestricted General Fund</b>	29.7	42.8	24.1%	53.1	150.9%	133.3	3.0%	137.3	-0.1%	137.1	4.3%	143.0	4.6%	149.6
36 <b>Revenue Stabilization Fund</b>	60.4	74.9	25.7%	94.1	25.5%	118.1	17.7%	139.0	16.2%	161.5	14.9%	185.4	13.7%	210.9
37 <b>Total Reserves</b>	90.1	117.7	25.1%	147.2	70.8%	251.4	9.9%	276.3	8.1%	298.6	10.0%	328.4	9.8%	360.5
38														
39 <b>Additions to Reserves</b>														
40 <b>Unrestricted General Fund</b>	107.1	10.3	677.4%	80.2	95.1%	3.9	-103.7%	-0.1	4108.7%	5.8	13.5%	6.6	81.0%	12.0
41 <b>Revenue Stabilization Fund</b>	33.9	19.2	24.8%	24.0	-12.7%	20.9	7.3%	22.5	6.8%	24.0	6.1%	25.5	4.6%	26.6
42 <b>Total Change in Reserves</b>	141.1	29.5	252.8%	104.2	-76.1%	24.9	-10.3%	22.3	33.7%	29.8	7.5%	32.1	20.4%	38.6
43														
44 <b>Ending Reserves</b>														
45 <b>Unrestricted General Fund</b>	136.8	53.1	150.9%	133.3	3.0%	137.3	-0.1%	137.1	4.3%	143.0	4.6%	149.6	8.0%	161.6
46 <b>Revenue Stabilization Fund</b>	94.3	94.1	25.5%	118.1	17.7%	139.0	16.2%	161.5	14.9%	185.4	13.7%	210.9	12.6%	237.5
47	231.2	147.2	70.8%	251.4	9.9%	276.3	8.1%	298.6	10.0%	328.4	9.8%	360.5	10.7%	399.1
48 <b>Reserves as a % of Total Tax Supported Revenues Plus CIP &amp; Operating Grant Revenues</b>	6.0%	3.9%		6.3%		6.8%		7.1%		7.5%		7.9%		8.5%
49 <b>Agency Reserves</b>														
50 <b>Montgomery College</b>	0.0	15.9	-75.2%	4.0	1.6%	4.0	1.8%	4.1	1.9%	4.2	2.0%	4.2	2.1%	4.3
51 <b>M-NCPPC</b>	0.0	5.3	-22.5%	4.1	2.5%	4.2	3.5%	4.3	3.4%	4.5	3.7%	4.6	4.1%	4.8
		4.5%		6.5%		7.0%		7.3%		7.7%		8.1%		8.7%
52 <b>Retiree Health Insurance Pre-Funding</b>														
53 Montgomery County Public Schools (MCPS)	-	-		47.6		78.3		90.6		101.4		98.0		94.2
54 Montgomery College (MC)	-	-		1.0		2.4		2.7		3.1		2.9		2.7
55 MNCPPC (w/o Debt Service)	-	-		2.6		6.3		7.1		7.7		7.2		6.8
56 MCG	-	-		26.1		59.6		62.8		59.4		58.7		58.4
57 <b>Subtotal Retiree Health Insurance Pre-Funding</b>	-	-	-	77.2	-	146.6	-	163.2	-	171.5	-	166.8	-	162.0

