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# Message from the County Executive

These publications contain the approved FY24 Operating and Capital Budgets for Montgomery County. While the County Council chose to use one-time funding to fund its on-going needs, I am pleased to report that 98 percent of my proposed budget remains intact.

This budget recognizes the significant impact that the pandemic has had on County residents and the need for the County to continue to fund vital services for our residents even as Federal support has ended. In addition, this budget makes targeted investments in programs that will strengthen the ability of families, individuals, businesses, and community partners to face challenges that lie ahead. In particular, this budget makes a significant investment in quality education, which is a bedrock of this County and key to our collective futures.

Thanks to the strength of our local economy, supplemented by the aid we received from the State and Federal governments, the County's revenue streams substantially outperformed our fiscally prudent revenue projections for both FY22 and FY23. Looking forward, economic indicators are signaling that a mild recession could take place later this year. Fortunately, strong capital gains attributed to tax returns from calendar year 2021 have resulted in income taxes producing greater than forecasted year-end reserves, which has resulted in a FY23 year-end reserve of 14 percent of revenues. This is well beyond our policy to hold ten percent of revenues in reserve.

Based on projections, the County will end FY24 with reserves totaling \$714.7 million, or 11.6 percent of the County's revenues. This amount is 1.6 percent or \$96.5 million more than needed to meet the County's policy of maintaining 10 percent of revenues in reserve.

As is well known, COVID has taken a tremendous toll on our students and their teachers. The needs to address the learning as well as social and emotional losses of our students are staggering. Our per pupil spending, when adjusted for inflation, has gone down since 2010. We are only spending 80 percent of what we previously spent on our schools. The difference in our spending is not just teacher salaries. It is also program levels and the staffing we support. According to 2022 Maryland Comprehensive Assessment Program test results, only 31 percent of Montgomery County Public School (MCPS) students scored proficient in math, and 53 percent scored proficient in English. Our students need more support in their learning.

While I proposed a \$223.3 million increase to the MCPS budget to fully fund the unprecedented need in our schools, the Council ultimately only approved \$156.4 million, which is partially funded through a 4.7 cent increase in the property tax rate. The gap in funding created by the Council's action will need to be addressed in future years to ensure that our students have access to the best education possible.

Like many public and private sector employers throughout the region and the nation, the Montgomery County Government is faced with an unprecedented competitive labor market. To recruit and retain the best public servants for our residents, I negotiated robust packages with our labor partners. I appreciate that the Council fully funded my negotiated labor agreements with the County's workforce, including our school health nurses, Ride On bus drivers, social workers, firefighters, police officers, and many other dedicated employees. Without this additional support, we would continue to lose ground when competing in this labor market for the highest quality workers.

Other highlights in the approved FY24 Operating Budget include:

- Approximately \$131.6 million to expand the preservation and production of affordable housing (including \$65.3 million for the Montgomery Housing Initiative, \$32.0 million for the Affordable Housing Acquisition and Preservation project, \$30.2 million for the Naturally Occurring Affordable Housing capital project, and \$4.1 million in Federal grants);
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- A \$20,000 hiring bonus for new police officers;
  - Funding to reopen Pre-Release and Reentry Services Center;
  - Additional mental health support for Department of Correction and Rehabilitation personnel;
  - Leveraging funds from the State's Emergency Service Transporter Supplemental Payment Program to provide several service enhancements for the Montgomery County Fire and Rescue Service;
  - Additional funding for Montgomery County Public Libraries to fill additional librarian positions and improve customer service;
  - Continuing the "Free in 23" initiative that provides free recreation fitness passes to residents;
  - Fully funding Montgomery College's budget request;
  - \$3.7 million for the University of Maryland Institute for Health Computing project at the North Bethesda Metro Station;
  - \$6.0 million for the Montgomery County Economic Development Corporation;
  - \$3.5 million for the Economic Development Fund;
  - \$2.0 million for WorkSource Montgomery;
  - \$550,000 for the Department of Recreation to operate two additional Excel Beyond the Bell sites at Harriet Tubman and Watkins Mills Elementary Schools;
  - \$450,000 increase to the TeenWorks program;
  - \$730,000 for the Children's Opportunity Alliance;
  - \$7.4 million to reshape the County's Working Families Income Supplement to match a total of 70% of Federal EITC (when combined with State EITC);
  - A four percent increase to the County's supplemental payment program to service providers of developmentally disabled residents and a two percent increase to adult medical day care providers;
  - \$6.45 million in Federal ARPA funds to continue in FY24 the Food Staples Program that directly provides food to individuals and families most in need;
  - \$2 million increase to Montgomery Cares reimbursement rates that will begin to right-size the County's share of the total cost of care;
  - Significant funding increases for the African American Health Program (\$800,000), Latino Health Initiative (\$950,000), Asian American Health Initiative (\$775,000), and Black Physicians Health Network (\$1 million);
  - \$735,000 increase for the third year of the Guaranteed Income Pilot Program;
  - \$1.1 million to fund new Office of Food Systems Resilience;
  - Record funding to address climate change - \$268.7 million total in both the operating and capital budgets;
  - \$18.6 million for the Montgomery County Green Bank;
  - \$61.2 million for Vision Zero traffic, bicyclist, and pedestrian efforts;
  - Maintaining Ride On service at current levels pending recommendations of the "Ride On Reimagined" study;
  - Expanding the capacity of Office of Grants Management by adding two staff members;
  - A three percent inflationary adjustment for nonprofit service provider contracts across County government;
  - Reforming the community grants process based on community and provider input;
  - Establishing multiple rounds of funding for the community grants programs that will be awarded throughout the year;
  - Providing bridge funding for nonprofits currently funded in the community grants budget; and
  - \$2 million for capital cost sharing community grants.

Developing the capital budget was challenging this year due to significant cost escalation related to supply chain

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problems and construction market conditions compounded by projected decreases in recordation tax revenues related to higher interest rates and the slowing housing market. Fortunately, increased funding from land sale proceeds, State and Federal funding, and increased recordation tax rates to support school construction helped mitigate the need to delay or reduce previously approved projects.

The approved amended FY23-28 Capital Improvements Program (CIP) includes funding for a number of important projects including:

- \$1.9 billion in funding for MCPS facilities, a \$136.8 million, or 7.7 percent increase over the previously approved budget. I am particularly pleased that the CIP will fund: 1) a new Burtonsville Elementary School to replace the current, inadequate, undersized school; 2) a new materials warehouse, freeing up the current Rockville site for redevelopment; and 3) maintain the MCPS proposed construction schedule for 28 school projects (new schools, renovations, and additions) while also leveraging an estimated \$582.7 million in State aid.
- Construction funding for the Wheaton Arts and Cultural Center;
- Increased State and Federal funding for a bus rapid transit (BRT) network, shopping center and parking lot redevelopment in Burtonsville, MD 198 sidewalk improvements, streetlighting, traffic signals, agricultural land easements, façade easement upgrades in White Oak, and upgrading internet connections for low-income residents; and
- Expansion of the High School Wellness Center program to additional schools and a new, full Linkages to Learning center at Greencastle Elementary School.

Additional information about these budgets can be obtained by visiting the Office of Management and Budget webpage at <https://www.montgomerycountymd.gov/omb/>. This website provides a searchable, user-friendly means of accessing detailed budget information regarding the approved Operating and Capital Budgets and CIP. Please call the Office of Management and Budget at 240-777-2800 for further information.

Developing a budget for a County of more than one million people is a complicated process and is a balancing act between community needs and fiscal realities. While the Council and I did not agree on every item, this budget ultimately makes significant investments in education, our County's workforce, our well-established social safety net, public safety, affordable housing, climate change, and infrastructure. This is a strong and vibrant community, and we are leveraging our tremendous strengths to make sure that our continued recovery from the pandemic allows us to operate more efficiently, environmentally, and equitably.



Marc Elrich  
County Executive, Montgomery County